

Inspector General

United States Department *of* Defense



Enterprise Business System Was Not Configured to
Implement the U.S. Government Standard General
Ledger at the Transaction Level

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Acronyms and Abbreviations

BEA	Business Enterprise Architecture
DCMO	Deputy Chief Management Officer
DDRS	Defense Departmental Reporting System
DFAS	Defense Finance and Accounting Service
DLA	Defense Logistics Agency
DoD FMR	DoD Financial Management Regulation
DoD SCOA	DoD Standard Chart of Accounts
EBS	Enterprise Business System
ERP	Enterprise Resource Planning
FACTS	Federal Agency Centralized Trial-Balance System
FFMIA	Federal Financial Management Improvement Act of 1996
GLAC	General Ledger Account Code
GTAS	Governmentwide Treasury Account Symbol
IRB	Investment Review Board
OMB	Office of Management and Budget
SCR	System Change Request
SFIS	Standard Financial Information Structure
U.S.C.	United States Code
USD(C)/CFO	Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD
USSGL	U.S. Government Standard General Ledger



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
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March 20, 2013

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)/
CHIEF FINANCIAL OFFICER, DOD
DEPUTY CHIEF MANAGEMENT OFFICER
DIRECTOR, DEFENSE LOGISTICS AGENCY

SUBJECT: Enterprise Business System Was Not Configured to Implement the
U.S. Government Standard General Ledger at the Transaction Level
(Report No. DODIG-2013-057)

We are providing this final report for review and comment. We conducted this audit in response to a congressional request. We reviewed the Defense Logistics Agency's implementation of the DoD Standard Financial Information Structure within the Enterprise Business System. Despite spending more than \$2 billion, system program managers did not configure the system to fulfill the functional capabilities needed to provide DoD managers with accurate and reliable financial information at the transaction level. We considered management comments on a draft of this report when preparing the final report.

DoD Directive 7650.3 requires that recommendations be resolved promptly. Comments from the Deputy Chief Management Officer and the Deputy Chief Financial Officer were partially responsive. Comments from the Deputy Director for Finance, Defense Logistics Agency, were also partially responsive. Therefore, we request the Deputy Chief Financial Officer and Deputy Chief Management Officer provide additional comments on Recommendation 1.c. In addition, we request the Director, Defense Logistics Agency, provide additional comments on Recommendation 2.c.(3). Please provide additional comments by April 19, 2013.

If possible, send a Microsoft Word (.doc) file and portable document format (.pdf) file containing your comments to audfmr@dodig.mil. Portable document format (.pdf) copies of your comments must have the actual signature of the authorizing official for your organization. We are unable to accept the /Signed/ symbol in place of the actual signature. If you arrange to send classified comments electronically, you must send them over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604-8938 (DSN 664-8938).

Richard B. Vasquez, CPA
Acting Assistant Inspector General
Financial Management and Reporting



Results in Brief: Enterprise Business System Was Not Configured to Implement the U.S. Government Standard General Ledger at the Transaction Level

What We Did

We determined whether the Defense Logistics Agency (DLA) configured the Enterprise Business System (EBS) to implement the U.S. Government Standard General Ledger (USSGL) at the transaction level using the Standard Financial Information Structure (SFIS).

What We Found

EBS program managers did not configure the system to report USSGL financial data using the SFIS data standards. Specifically, they did not properly implement 99 business rules, the SFIS posting logic, and 41 attributes; establish and update EBS's capability to record and report 241 DoD reporting accounts; or establish EBS's capability to generate trial balance data and report the data to financial systems. This occurred because DoD managers did not initially establish the stringent validation and certification procedures implementing SFIS requirements correctly and DLA did not prioritize its funding to ensure that EBS complied with the SFIS requirements. As a result, DoD managers approved EBS funding and did not require SFIS implementation before developing and deploying additional EBS capabilities. As of September 30, 2012, DLA obligated more than \$2 billion to develop and deploy an Enterprise Resource Planning system that was incapable of providing standardized data for an auditable DoD Statement of Budgetary Resources by FY 2014. In addition, DLA missed opportunities to reduce the more than \$30 million that it pays the Defense Finance and Accounting Service annually to

perform accounting functions by enhancing EBS functionality.

What We Recommend

We recommend that the Deputy Chief Management Officer and Deputy Chief Financial Officer restrict funding until EBS program managers demonstrate that EBS contains all SFIS requirements. After DLA certifies SFIS compliance, DLA should conduct a one-time validation to document that EBS program managers correctly implemented all SFIS requirements and then validate EBS after each subsequent SFIS update. We also recommend that DoD managers extend the validation processes to all DoD Enterprise Resource Planning systems and publish a definitive listing of business rules needed for FY 2014 financial reporting. We recommend that the Director, DLA, develop a plan of action and milestones to implement the most recent SFIS requirements, an alternate chart of accounts, and the functionality to internally crosswalk to the new alternate chart of accounts. The Director should also develop procedures to update EBS for changes in the DoD Standard Chart of Accounts.

Management Comments and Our Response

Comments from the DoD Deputy Chief Management Officer, Deputy Chief Financial Officer, and the DLA Deputy Director were generally responsive. However, we request that they provide additional comments as noted in the table on the back of this page.

Recommendations Table

Management	Recommendations Requiring Comment	No Additional Comments Required
Deputy Chief Financial Officer	1.c	1.a, 1.b, 1.d, 1.e
Deputy Chief Management Officer	1.c	1.a, 1.b, 1.d, 1.e
Director, Defense Logistics Agency	2.c.(3)	2.a, 2.b, 2.c.(1), 2.c.(2), 2.c.(4), 2.d, 2.e, 2.f

Please provide comments by April 19, 2013.

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Introduction

Objective

Our objective was to determine whether the Defense Logistics Agency (DLA) Enterprise Business System (EBS) fulfilled the functional capabilities needed to generate timely, accurate, and reliable financial statements. Specifically, we determined whether DLA Information Operations (J-6) and DLA Finance (J-8) personnel (EBS program managers) configured the system to implement the U.S. Government Standard General Ledger (USSGL) at the transaction level using the Standard Financial Information Structure (SFIS). We conducted this audit as part of a congressional request. Determining whether EBS implemented the USSGL using SFIS did not require us to test financial data timeliness. Consequently, we did not determine whether EBS provided DoD with timely financial information. See Appendix A for our scope and methodology. See Appendix B for prior audit coverage and Appendix C for a copy of the congressional request.

Background

To achieve auditable financial data, the Deputy Chief Management Officer developed the Business Enterprise Architecture (BEA) to provide guidance to the Military Departments and Defense agencies (DoD activities) for implementing:

- the Enterprise Resource Planning (ERP) systems necessary for subsuming and reengineering legacy business processes and systems, and
- SFIS to provide DoD data standardization.

EBS

In August 2000, DLA began developing its ERP system by initiating the Business System Modernization. In FY 2007, DLA officials combined Business System Modernization, which included Order Fulfillment, Supply and Demand Planning, Procurement, Technical Quality, and Financial capabilities, with the Customer Service Management and Product Data Management initiatives to develop the EBS core system. EBS became the ERP system solution supporting DLA nonenergy commodity activities.

EBS serves as DLA's general ledger system of record for both general fund and working capital fund operations. The Defense Finance and Accounting Service (DFAS) uses EBS financial data to produce DLA financial statements, including the Statement of Budgetary Resources. EBS financial data are also combined with data from other DoD activities to produce the DoD Agency-wide financial statements. DoD is required to produce an auditable Statement of Budgetary Resources by FY 2014 for general fund operations. During FY 2012, DLA processed a majority of the more than \$53.9 billion in DoD budgetary authority using EBS.

Table 1 identifies the components of the EBS core system.

Table 1. EBS Core System

Core System Components	Full Deployment Date	System Description and Functions
Business System Modernization	September 2007	Supply chain planning, ordering, inventory, procurement, and financial management for non-energy commodities
Customer Service Management	July 2007	Customer accounts and profiles, customer initiated inquiry and feedback, customer satisfaction, and loyalty metrics
Product Data Management	August 2007	Technical document management, document distribution, and data visibility

DLA subsequently enhanced its EBS capabilities by adding SAP software that supported DLA finance and accounting, real property, and inventory management functions. In March 2014, DLA plans to complete EBS deployment by adding the Energy Convergence enhancement to its energy commodity activities. Table 2 identifies the EBS enhancements.

Table 2. EBS Enhancements Incorporated Into the Core System

EBS Enhancements	Full Deployment Date	System Description and Functions
Enterprise Operational Accounting System	May 2010	Extends accounting, financial, budget management, and financial analysis with SAP Public Sector finance component
Inventory Management and Stock Positioning	Spiral 1 August 2009 Spiral 2 August 2011	Extends supply, storage, and distribution from wholesale function into retail at each Service's depot locations
Real Property	Real Property Increment 1 October 2009 Real Property Increment 2 December 2011	Provides real property inventory management, deficiency management, facility project maintenance, and plant maintenance
eProcurement	December 2012	Enterprise procurement solution for consumables, services, and depot-level reparables
Energy Convergence	March 2014	Modernizes supply chain management for DLA energy commodities

In March 2014, DLA will use EBS to manage nearly 5 million commodity items¹ within eight supply chains,² supporting 1,600 weapons systems, involving 114,000 requisitions and 11,200 contract actions daily. As of September 30, 2012, DLA obligated more than \$2 billion toward EBS implementation. As of January 2012, EBS had over 11,000 users operating in 28 countries serving all DLA business areas.

Compliance With Public Laws

Public Law 104-208, “Federal Financial Management Improvement Act of 1996 (FFMIA),” September 1996, requires the substantial compliance of all financial management systems with:

- Federal financial management system requirements,
- Federal accounting standards, and
- USSGL at the transaction level.

Office of Management and Budget (OMB) Circular No. A-127 Revised, Financial Management Systems, January 9, 2009, implements the FFMIA.

Section 2222, title 10, United States Code (U.S.C.), requires DoD to develop a DoD BEA establishing an information infrastructure to comply with all Federal accounting, financial management, and financial reporting requirements. The BEA infrastructure should:

- routinely produce timely, accurate, and reliable financial information;
- integrate budget, accounting, and program information and systems; and
- provide a systematic measurement of performance.

The BEA requires DoD activities to apply uniform policies, procedures, data standards, and system interface requirements.

Office of Secretary of Defense Responsibilities

The offices of the Deputy Chief Management Officer (DCMO) and the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD (USD[C]/CFO) (DoD managers) are responsible for issuing policy and providing oversight of DoD ERP systems data standardization. The DCMO is the senior official responsible for organizing DoD business operations. The Office of DCMO is responsible for developing and maintaining the DoD BEA and ensuring compliance with all applicable laws and regulations, including FFMIA. The Deputy Secretary of Defense chairs the Defense Business Systems Management Committee, established pursuant to section 186, title 10, U.S.C. The Defense Business Systems Management Committee

¹ Commodity items include weapon systems, clothing and textiles, subsistence, medical supplies, and energy products.

² Supply chain functions include requirement planning based on customer and DoD input, managing procurement contracts with suppliers, moving products from source to customer while monitoring for quality, and arranging for receipt and disbursement of funds.

and Investment Review Board (IRB) have the responsibility to approve EBS milestones and investments and to assess whether EBS effectively implemented the BEA requirements.

The USD(C)/CFO is responsible for DoD financial management systems. The Office of the USD(C)/CFO is also responsible for issuing and monitoring DoD financial management policy. The USD(C)/CFO mission is to improve business and financial processes, controls, systems, and data to achieve accurate, reliable, and timely financial and managerial information. DFAS is responsible for directing, approving, and performing DoD finance and accounting services. DLA uses DFAS Columbus, Ohio, to perform its accounting functions, including the processing, reporting, and posting of DLA financial data to the Defense Departmental Reporting System (DDRS). DDRS consolidates financial data received from DoD accounting systems to produce the financial statements.

DLA Roles and Responsibilities

EBS program managers are responsible for EBS implementation. DLA Information Operations served as the primary DLA activity responsible for providing information technology support. DLA Information Operations included the EBS Program Management Office, which was responsible for ensuring cost-effective EBS implementation. DLA Finance established DLA financial core system competencies and administered all DLA financial functions, including standard financial processes, financial requirements, and performance targets. DLA Finance included the Financial Compliance and Process Management Division (J-89), which was responsible for:

- overseeing financial compliance and auditability;
- managing the DLA input to the DoD Financial Improvement and Audit Readiness Plan;
- overseeing DLA financial statement audits; and
- coordinating and controlling financial process system changes, remedy tickets, and priorities.

Internal Controls Needed for SFIS Compliance

DoD Instruction 5010.40, “Managers’ Internal Control Program (MICP) Procedures,” July 29, 2010, requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls. We identified internal control weaknesses in the implementation of USSGL and SFIS requirements in EBS. Specifically, EBS program managers did not properly implement the DoD Standard Chart of Accounts (DoD SCOA) and the SFIS business rules, posting logic, and attributes needed for financial reporting. This occurred because DoD managers did not initially establish the stringent validation and certification procedures for ensuring that program managers implemented SFIS requirements correctly. We will provide a copy of the report to the DoD and DLA senior officials responsible for internal controls.

Finding. EBS Did Not Meet SFIS Data Standards

EBS program managers did not configure their ERP system to report USSGL financial data using DoD SFIS data standards. Specifically, they did not:

- properly implement 99 of 222 SFIS business rules, the SFIS Transaction Library posting logic, and 41 of 55 SFIS attributes;
- correctly establish and update the system's capability to record and report DoD SCOA financial data for 241 of 693 DoD reporting accounts; or
- establish the system's capability to generate EBS trial balance data and report it to DDRS.

This occurred because DoD managers did not initially establish the stringent validation and certification procedures for ensuring that program managers implemented SFIS requirements correctly. In addition, EBS managers placed higher priorities on deploying the core system and implementing additional functions rather than configuring the ERP system to comply with SFIS data standards. As a result, DoD managers approved EBS funding and required SFIS implementation before developing and deploying additional EBS capabilities that could have ensured the reporting of proper financial data.

As of September 30, 2012, DLA obligated more than \$2 billion to develop and deploy EBS without demonstrating that the system had the general ledger capability to provide the data necessary to produce an auditable Statement of Budgetary Resources by FY 2014. For example, EBS did not correctly report the financial attributes for 17 of 21 general ledger accounts reviewed; of which, 3 accounts affected the Statement of Budgetary Resources. Additionally, opportunities existed for DLA to reduce the more than \$30 million that it pays annually to DFAS for accounting functions, including the manual workarounds and data calls needed to develop and report DLA trial balance data that EBS should be capable of recording at the transaction level.

Defining Standard General Ledger Requirements

OMB Circular No. A-127 requires financial management systems to post the appropriate general ledger account codes (GLACs) using the approved transaction codes found in Treasury Financial Manual, volume 1, Supplement No. S2, "U.S. Government Standard General Ledger" (the Supplement). The Supplement requires the systems to post transactions using the appropriate four-digit GLACs³ and

³ Treasury Financial Manual, volume 1, Bulletin No. 2012-07, "Fiscal 2014 Implementation of the Six-Digit U.S. Government Standard General Ledger (USSGL) Account Number Code Structure," August 8, 2012, requires agencies to implement a six-digit code structure in FY 2014.

all applicable domain values for the financial attributes.⁴ The Supplement also defines the individual transaction codes⁵ used to record business events properly. DoD Financial Management Regulation (DoD FMR), volume 1, “General Financial Management Information, Systems, and Requirements,” provides DoD policy for implementing FFMIA, USSGL, and SFIS requirements.

SFIS

The DoD BEA requires DoD activities to uniformly apply policies, procedures, data standards, and system interfaces. The DoD BEA requires all systems processing financial transactions to use SFIS for

DCMO personnel developed SFIS to provide DoD with a comprehensive data structure supporting its budgeting, financial accounting, cost accounting, performance measurements, and external reporting.

categorizing financial information supporting DoD financial management and reporting functions. DCMO personnel developed SFIS to provide DoD with a comprehensive data structure supporting its budgeting, financial accounting, cost accounting, performance measurements, and external reporting. On August 4,

2005, USD(C)/CFO personnel issued SFIS implementation policy.⁶ DoD FMR, volume 1, chapter 4, requires DoD activities to maintain their ERP systems and legacy systems that interface with ERP systems consistent with SFIS requirements.

On August 13, 2007, the Acting Deputy Chief Financial Officer issued a memorandum implementing the DoD SCOA in DoD ERP systems. DoD managers designed the DoD SCOA to aggregate transactional activity into standard accounts and report the account balances to DDRS and other accounting systems. The memorandum also required that ERP systems have the capability to either independently record or internally crosswalk⁷ existing general ledger data to the SFIS format and report the data directly to DDRS. DoD managers expected that proper SFIS implementation would allow DoD activities to reduce ERP system customization, eliminate the need for external crosswalking of account balances, provide a standard transaction-level posting logic, and improve comparability of DoD financial data. DoD Business

⁴ Attributes further describe a USSGL account to meet a specific reporting requirement. Domain values are all of the possible valid choices within an attribute. For example, the attribute “Reimbursable Flag Indicator” identifies the type of funding used in a transaction. The allowable domain values for this attribute are D (Direct) and R (Reimbursable).

⁵ A transaction code documents the basic standard posting logic for specific financial events across the Federal Government.

⁶ The Office of the Under Secretary of Defense (Comptroller) incorporated the policy in DoD FMR, volume 1, chapter 4, “Standard Financial Information Structure (SFIS).”

⁷ Crosswalking is a process used to convert account data from USSGL-noncompliant source trial balances into the USSGL-compliant account structure.

Transformation Agency also issued a corresponding SFIS Transaction Library needed to implement the SFIS requirements.⁸

Compliance With SFIS Requirements Required for Obtaining IRB Certification

On July 12, 2006, DoD established an IRB certification process to ensure that systems such as EBS contained the configuration to implement the SFIS data standardization requirements.⁹ This data standardization was essential for achieving auditable financial statements and providing DoD managers with the financial information needed to make effective day-to-day budget and management decisions. The IRB certification process required program managers to develop an ERP implementation plan that not only included system compliance dates but also required program managers to meet with the Enterprise Integration Team to determine whether the system achieved, or when the system would achieve, SFIS compliance. The evaluation should have included a data element assessment to ensure that the program managers implemented the intended SFIS business rules, attribute values, and standard configuration. Additionally, program managers should have demonstrated adherence to the DoD SCOA and SFIS Transaction Library requirements before the IRB certified funds for full system deployment.

SFIS Business Rules and Posting Logic Implementation

EBS program managers did not implement the SFIS requirements necessary to generate accurate and reliable financial information. Specifically, they did not apply the SFIS business rules correctly to ensure that EBS accurately recorded the attribute and corresponding domain values needed for reporting DoD financial information. They also did not establish within EBS the SFIS posting logic needed to record DLA business events accurately and consistently. At our request, in February 2012, DCMO personnel initiated an assessment of EBS capabilities. However, as of August 2012, EBS program managers were unable to demonstrate that they implemented 99 of the 222 applicable SFIS requirements in the system.

Before our audit started, DCMO personnel and EBS program managers conducted EBS assessments of only SFIS business rules. Personnel from the Office of the Deputy Chief Financial Officer informed us that, in partnership with the Business Transformation Agency, they recognized the need in FY 2010 to initiate a “pilot” assessment program to evaluate ERP system compliance with USSGL and SFIS. Therefore, in March 2010, DoD managers began assessing systems that the Financial Management IRB identified as requiring SFIS compliance. DoD managers also stated that the intention of the pilot program was to provide an initial review to establish a

⁸ DoD dissolved the Business Transformation Agency in FY 2011 and transferred SFIS governance and facilitation responsibilities to the Office of the DCMO.

⁹ Investment Review Board Concept of Operations, July 12, 2006.

baseline and determine the changes that each system required to become SFIS compliant. EBS was one of six systems that participated in the pilot program. After the pilot program was completed, Office of the USD(C)/CFO personnel approved the process as a “help function” to assist ERP system program managers with meeting SFIS compliance requirements and expanded the scope of the assessments. Specifically, the BEA version 8.0 assessments that began in March 2011 included a review of trial balance business rules, the DoD reporting chart of accounts, implementation of the DoD SFIS posting logic, and applicable SFIS interfaces. DoD managers further stated that this process evolved and improved over time but still needed to be strengthened and more consistently applied. Table 3 shows the results of the assessment as the assessment process transitioned from the pilot concept to the more comprehensive BEA 8.0 assessment now in use. The emerging assessment process required a more stringent validation process by Office of the Secretary of Defense managers for a program manager to achieve compliance.

Table 3. SFIS Business Rules Assessments Results

SFIS Assessment Conducted	Assessment Performed (Fiscal Year)	SFIS Compliancy (Percentage)	SFIS Non-Compliance (Percentage)
BEA 7.0 “Pilot” Assessment	2010	75.36	24.64
BEA 8.0 DLA Assessment	2011	86.17	13.83
BEA 8.0 DCMO Assessment	2012	55.41	44.59

BEA 8.0 SFIS Business Rules Assessment

DCMO personnel developed the BEA 8.0 SFIS Compliance Checklist to measure compliance with 66 SFIS attributes using 293 corresponding business rules.¹⁰ BEA 8.0 identified and defined the attributes needed to support financial statements and external reporting. Noncompliance with the business rules would result in the inaccurate posting and reporting of the financial data attributes. For example, a business rule for establishing the Fund Type Code attribute stated that the system must use the code for general ledger posting, financial reporting, budgetary control, and funds control. The system managers needed to demonstrate the capability of using the Fund Type Code for each of these activities to comply with the business rule. During the FY 2012 assessment, DCMO personnel determined that EBS should have implemented the capability to accomplish 222 of the 293 SFIS business rules that supported 55 of the 66 SFIS attributes. Of the remaining 71 business rules, 22 did not apply to DLA business activities, 25 were overcome by events and will be removed

¹⁰ The DCMO issued the Compliance Checklist for SFIS-BEA 8.0 in March 2011. The Compliance Checklist for SFIS-BEA 7.0, March 2010, measured compliance with 72 SFIS attributes using corresponding business rules.

from subsequent versions of the BEA, and 24 did not have implementing requirements defined by DoD managers.

EBS Did Not Populate SFIS Attributes Correctly

EBS program managers could not demonstrate that EBS implemented 99 of the 222 SFIS business rules applicable to DLA business activities. The 99 business rules directly supported 41 of the 55 SFIS attributes applicable to DLA business activities.¹¹ Appendix D describes the business rules, by attribute, which program managers did not configure in EBS correctly. The FY 2012 assessment showed that EBS program managers did not:

- establish 51 business rules within EBS,
- develop the capability to produce an SFIS compliant trial balance required to support implementation of 23 business rules,
- capture the EBS data necessary to comply with 8 business rules, or
- implement 17 business rules correctly.

To determine the significance of not implementing the business rules correctly, we reviewed the January 2012 transactions supporting 21 EBS general ledger-posting accounts. Appendix E shows the errors found for 18 of the 21 judgmentally selected EBS posting accounts. For example, seven EBS posting accounts did not accurately populate the Trading Partner Indicator Code attribute with a valid domain value. EBS should have the capability to populate a three-digit code assigned to each Federal trading partner when recording a transaction with a Federal/Non-Federal Indicator attribute domain value of “F.” Three of the seven EBS posting accounts reviewed reported the attribute with an incorrect domain value of “0,” two reported with a two-digit code, and the other two posting accounts reported no domain value. As a result, EBS was not capable of identifying the Trading Partner Indicator Code correctly. Consequently, DLA was unable to eliminate its intragovernmental transactions as required by DoD FMR, volume 6B, chapter 13, “Adjustments, Eliminations, and Other Special Intragovernmental Reconciliation Procedures.”

In addition, EBS did not consistently populate the Availability Time Indicator attribute with a valid domain value for EBS general ledger-posting account 4610.0100. The USSGL required the reporting of the attribute in that account to indicate whether funds were available for execution in the current period (domain value “A”) or a subsequent period (domain value “S”). In addition, the SFIS business rules associated with this attribute required that systems use the indicator for financial reporting and budgetary control. EBS general ledger-posting account 4610.0100 did not contain a domain value for 40 of 97 transactions reviewed. During the BEA 8.0 assessment, DCMO personnel identified that EBS was not recording funds available in a subsequent period despite the confirmation that this requirement applied to EBS. DLA used funds, such

¹¹ To be compliant with an SFIS attribute, EBS must comply with all applicable business rules.

as multi-year appropriations, in subsequent periods. By not populating the attribute correctly, EBS could obligate transactions using funds not available for obligation in the current period.

In May 2012, EBS program managers informed us that DLA formed a working group to develop a financial improvement plan to correct the 99 noncompliant business rules and take actions to resolve any other issues related to the EBS general ledger.

To address these issues, the Director, DLA, should develop a plan of action and milestones within 90 days of the date of this report. The plan of action and milestones should detail the design and fund system change requirements necessary to implement the SFIS business rules.

Previous Assessments Provided Different Results

The original BEA 7.0 pilot assessment process did not provide a comprehensive review of business rules needed to provide the validation needed to demonstrate SFIS compliance. DCMO findings during the pilot assessments and appropriate decisions by DoD managers resulted in expanding the scope of all future assessments. This led to a reduction in SFIS compliancy between the BEA 7.0 pilot assessment and the BEA 8.0 DCMO assessment conducted on EBS during the audit. Specifically, EBS no longer complied with 47 BEA business rules during the BEA 8.0 assessment. DCMO personnel explained that the basis for the differences found between their two assessments resulted from a combination of factors, including:

- original interpretation of the business rules,
- posting logic sampling,
- lessons learned from performance of other SAP validations,
- validation of business rules using a test environment,
- assumption that business rules would be removed in future SFIS revisions, and
- human error.

For example, during the pilot testing in FY 2010, DCMO personnel did not validate whether EBS program managers set up the business rules to capture the Current/Non-Current Indicator attribute correctly because they believed that BEA 8.0 would not include this attribute. However, DFAS needed the attribute to prepare the financial statement notes. DCMO personnel ultimately decided not to remove the attribute from BEA 8.0 because it supported DoD financial reporting needs. The FY 2012 DCMO assessment determined that EBS did not capture the Current/Non-Current Indicator attribute correctly. Generally, EBS program managers asserted the system's compliance with some business rules based on anticipated compliance in the future rather than on the system's actual capability at the time of the assessment. Therefore, in their BEA 8.0 self-assessment, EBS program managers asserted compliance with 80 business rules that DCMO personnel found as noncompliant in the FY 2012 BEA 8.0 assessment.

The FY 2012 BEA 8.0 self-assessment also inaccurately reflected EBS capabilities because it did not include a determination of whether EBS implemented the DoD

SCOA, posted transactions using the SFIS Transaction Library, or recorded SFIS attribute values correctly. DoD personnel did not conduct their assessments using a level of scrutiny that could have provided the IRB with an accurate indication of EBS's actual capability to achieve SFIS compliance. As a result, the IRB use of either assessment would not have prompted the IRB to restrict further funding for system deployment and enhancements based on the system's inability to achieve the required SFIS data standardization structure.

DoD Managers Need to Define SFIS Business Rules

For various reasons, DoD managers did not define the actions necessary for implementing the 24 business rules supporting four attributes in the BEA 8.0 SFIS Compliance Checklist. For example, DoD managers stated that they did not define the business rules to support three attributes (Contingency Code, Program Code, and Organization Unique Identifier) because of unclear policies for identifying the ERP system configuration necessary for reporting the attributes. DoD managers further stated that although they fully defined the Transaction Type Code attribute, the associated business rules required modification in the next BEA version. Therefore, DCMO personnel recommended that system program managers not configure the requirements prematurely. For these reasons, EBS program managers should not configure these 24 business rules until DCMO personnel update the requirements for them.

Future versions of the BEA would need to reconfigure the SFIS attributes to support the Governmentwide Treasury Account Symbol (GTAS) Adjusted Trial Balance System. For example, the March 2012 BEA version eliminated 23 of the 293 current business rules supporting 5 SFIS attributes, while adding new attributes and business rules to accomplish GTAS financial reporting. Unless DoD managers tell system program managers which of the SFIS business rules they should not implement because of changes required to comply with GTAS requirements, program managers may expend resources to develop a capability that is not required to support the FY 2014 reporting environment. DoD managers should perform an immediate assessment of the SFIS business rules and provide the program managers with a definitive list of business rules that ERP systems will require by FY 2014 to support financial reporting to the GTAS.

EBS Program Managers Could Not Demonstrate System's Compliance With SFIS Posting Logic

EBS program managers could not validate that the system was capable of recording all required DLA business events using the SFIS posting logic. The SFIS Transaction

As of September 30, 2012, EBS program managers could not demonstrate that they implemented the required posting logic contained in the SFIS Transaction Library.

Library contained the posting logic that system program managers should implement to consistently record business events. As of September 30, 2012, EBS program managers could not demonstrate that they implemented the required posting

logic contained in the SFIS Transaction Library. They were unable to identify the

specific SFIS transaction codes that EBS was capable of posting and whether the posting logic EBS implemented correctly posted the required general ledger accounts. In April and May 2012, the auditors and DCMO personnel each provided the EBS program managers a list of specific business events and requested that they provide the EBS posting logic to support each event. EBS program managers did not provide the documentation to demonstrate that EBS had the built-in capability to post transactional data to the correct proprietary and budgetary general ledger accounts for the selected business events. The lack of documentation prevented us from assessing compliance with the SFIS Transaction Library.

DCMO personnel informed us that they never attempted to validate whether EBS could post business events, as intended by the SFIS Transaction Library, until they performed the requested FY 2012 assessment. Therefore, they had no assurance that EBS program managers correctly implemented the posting logic. 10 U.S.C. 2222 required the Pre-Certification Authority¹² to determine whether EBS was in compliance with the BEA and appropriate business reengineering efforts had been undertaken. The DLA pre-certification letters dated prior to October 2010 stated that EBS was in compliance with BEA version 6.0. However, beginning in October 2010, the DLA Chief Information Officer no longer issued pre-certification letters stating that EBS was in compliance with the BEA. Instead, his pre-certification letters only asserted that he reviewed the modernization effort and recommended to the IRB that a determination be made that the system was in compliance with the BEA (versions 7.0

EBS program managers should have provided better SFIS compliance information to the IRB.

and 8.0). The IRB provided additional funding to further deploy the system and implement additional EBS enhancements despite EBS not demonstrating a capability to post SFIS Transaction

Library business events or the Pre-Certification Authority determining that EBS was BEA compliant. EBS program managers should have provided better SFIS compliance information to the IRB. In accordance with 10 U.S.C. 2222 (a), the IRB should have required the Pre-Certification Authority to determine whether EBS was BEA compliant before certifying the EBS for additional funding. The IRB should have required SFIS implementation before developing and deploying additional EBS capabilities that could not ensure the reporting of proper financial data. DoD managers should restrict EBS funding until EBS program managers demonstrate that EBS contains the SFIS business rules, DoD SCOA reporting accounts, and SFIS Transaction Library posting logic needed to report financial data properly.

¹² 10 U.S.C. 2222(f) states that for a Defense agency, the Director or equivalent of such Defense agency is the appropriate Pre-Certification Authority, unless otherwise approved by the DCMO. DoD Instruction 5000.02, “Operation of the Defense Acquisition System,” December 8, 2008, states that each DoD Component designates a Pre-Certification Authority responsible for review and validation of all information submitted by the system program manager. The updated Investment Review Board Concept of Operations, dated June 10, 2012, stated that, for Defense agencies, the Director of the agency was the Pre-Certification Authority.

An analysis of the December 2011 trial balances supporting the DLA General Fund and Working Capital Fund determined that the amounts reported for corresponding proprietary and budgetary accounts did not match, which indicated that EBS could not post these accounts simultaneously using the SFIS posting logic. For example, the trial balance data showed that the amounts reported for Advances and Prepayments (GLAC 1410) did not agree with the amounts reported for Undelivered Orders-Obligation, Prepaid/Advanced (GLAC 4802). EBS should have posted these accounts simultaneously when making an advance payment and placing an order for goods or services to be received in the future; however, the data showed that EBS incorrectly used the undelivered orders account (GLAC 4802) to record goods accepted and paid for by the Government but not matched to a depot delivery receipt. As a result, the budgetary and proprietary accounts did not match.

In addition, EBS did not have the capability to post the Estimated Contract Authority (GLAC 4032) at the transactional level using the SFIS posting logic. Instead, DFAS recorded a portion of the financial data related to contract authority using DDRS journal vouchers. The SFIS Transaction Library identifies by general fund and working capital fund which business events are applicable and assigns a transaction code to each. EBS program managers should have identified how each of the SFIS Transaction Library transaction codes affected DLA business events and reengineered their business processes accordingly. The Director, DLA, should design and fund system change requirements necessary to implement the most recent SFIS Transaction Library correctly by using the posting accounts and logic needed to accomplish transactional posting of all DLA business events before adding any other capabilities.

EBS Program Managers Should Develop the Correct Charts of Accounts

EBS program managers did not correctly establish and update the system's capability to record and report DoD SCOA financial data. DoD managers developed the DoD SCOA to identify the accounts that DoD activities needed to support general fund and working capital fund financial reporting. However, EBS program managers created the existing EBS posting logic and account structure before the USD(C)/CFO issued the DoD SCOA. Subsequently, EBS program managers determined that reconfiguring the system to implement the DoD SCOA directly would be cost-prohibitive. USD(C)/CFO guidance allowed EBS program managers to develop an alternate chart of accounts with the capability to report the DoD SCOA reporting accounts supporting the general and working capital funds financial reporting requirements.

As of our review in FY 2012, EBS program managers did not:

- establish an alternate chart of accounts containing the 693 reporting accounts needed to report general and working capital funds financial data to DoD management;¹³
- update since FY 2009 the EBS posting chart of accounts with the correct accounts needed to report DLA business events, including establishing normal balances and account definitions;¹⁴
- internally crosswalk EBS posting accounts to the alternate chart of accounts containing the DoD SCOA reporting accounts; or
- develop the trial balances needed to report DLA financial data directly into DDRS.

EBS program managers should have taken immediate actions to develop an alternate chart of accounts containing all required DoD SCOA reporting accounts and then determined how to crosswalk the existing and newly created EBS posting accounts to the alternate chart of accounts. They also should have implemented the SFIS Transaction Library posting logic for those accounts needed to support DLA business events and documented their determination of which DoD SCOA reporting accounts would not be configured until that type of business activity became part of DLA business.

EBS Did Not Contain Required DoD SCOA Reporting Accounts

EBS program managers developed the capability to report financial data for only 394 of the 693 DoD SCOA reporting accounts. EBS did not have the capability to report financial data for the other 299 DoD SCOA reporting accounts. However, 58 of the 299 reporting accounts will not be required in FY 2013. See Appendix F for the list of 241 missing reporting accounts. EBS program managers should have documented their reasoning for not implementing the accounts and obtained a waiver from the IRB to eliminate each account within the EBS chart of accounts. In some cases, EBS program managers did not establish the posting accounts necessary to support the detailed level of reporting required by the DoD SCOA. In other cases, they did not identify the reengineering needed to develop the ability to record DLA financial events at the transaction level. Instead, they continued the practice of recording the financial data using manual workarounds and data calls that DFAS recorded at the summary level.

¹³ There were 998 reporting accounts in the FY 2012 DoD SCOA. Based on input from DoD managers and EBS program managers, we determined that 693 DoD SCOA reporting accounts applied to EBS operations. The remaining 305 accounts were not reportable at the DLA level and were either not applicable to DoD or were derived or populated using journal vouchers at the Departmental level.

¹⁴ Posting accounts are established in EBS to manage DLA business events and reporting requirements. Reporting accounts are established by DoD for reporting to DDRS. Each posting account must be internally crosswalked to one reporting account.

For example, EBS program managers should have developed the capability for EBS to:

- record DLA's Current-Year Authority Transfers In and Current-Year Authority Transfers Out data using separate DoD SCOA reporting accounts Transfers – Current-Year Authority Transfers In (4170.3102) and Transfers – Current-Year Authority Transfers Out (4170.3103). Instead, EBS program managers recorded DLA's Transfers – Current-Year Authority Transfers In and Transfers – Current-Year Authority Transfers Out data to a single posting account (4170.0100) and crosswalked that data to a single DoD SCOA reporting account (4170.9000). As a result, DoD managers could not differentiate for management purposes the value of Transfers – Current-Year Authority Transfers In and Transfers – Current-Year Authority Transfers Out.
- record data using the 13 accounts receivable posting accounts in EBS and determine to which of the 8 DoD SCOA reporting accounts each of the 13 posting accounts should have been crosswalked. Instead, EBS program managers recorded DLA's accounts receivable data in the 13 separate posting accounts and crosswalked the data to a single DoD SCOA reporting account. As a result, they could not accurately report to DoD the accounts receivable data related to vendor overpayments and undistributed collections.

By not recording and reporting its data in accordance with the DoD SCOA and SFIS posting logic, EBS did not report data at the level of detail DoD required for preparing financial statements and managing day-to-day activities. The Director, DLA, should implement an EBS alternate chart of accounts that has the capability to report the DoD SCOA for general fund and working capital fund activities at the transactional level.

EBS Program Managers Were Not Updating Chart of Accounts

EBS program managers did not update the chart of accounts after each issuance of the DoD SCOA or establish normal account balances and account definitions. At a minimum, the Treasury revised the Supplement annually and, in response, USD(C)/CFO personnel should have incorporated the revisions into the DoD SCOA. Before the beginning of each fiscal year, EBS program managers should have added, deleted, or updated the account information for each DoD SCOA reporting account. For example, EBS program managers should have updated EBS for the following FY 2012 DoD SCOA reporting account changes:

- added account Accounts Receivable-Unsupported Undistributed Collections-Department Level (1310.0950),
- deleted account Benefits Expense-Personnel Benefits-Annual Leave (6400.0100), and
- updated account title and normal balance for Amortization of Premium on U.S. Treasury Securities Issued by the Bureau of the Public Debt-Non-Marketable Market Based-Premium (1613.0600).

EBS program managers admitted that they did not update the EBS account information to reflect changes made in the DoD SCoA since FY 2009. They waited on DCMO to complete its assessment of EBS's SFIS configuration. Therefore, EBS program managers stated that they were unable to work on and implement System Change Request (SCR) number BFI-09-034, which they initiated in May 2009, because it competed with other conflicting tasks, such as Base Realignment and Closure/Inventory Management and Stock Positioning and eProcurement, which consumed functional and technical resources. Instead, they relied on DFAS to ensure that account information complied with the DoD SCoA¹⁵. The Director, DLA, should develop procedures to verify that the EBS Program Management Office updates the EBS posting and reporting chart of accounts after each update to the DoD SCoA.

EBS Did Not Contain Normal Account Balances

EBS program managers did not establish a normal balance for each EBS posting account. The DFAS 7900.4-M, "Financial Management Systems Requirements Manual," (Blue Book) volume 1, "General Ledger," May 2011, states that the general ledger, as the ultimate overall control for capturing the effects of all financial events, ensures that debits equal credits for every recorded transaction in a single journal entry. The Blue Book requires systems to provide automated functionality to prevent out-of-balance conditions at any level of the accounting classification structure or within the accounts. The Supplement states that the normal balance identified the normal condition of an account's balance. Without establishing a normal balance for each EBS posting account, DLA could not prevent abnormal balance conditions or provide information needed by EBS program managers to acknowledge and address potential problems involving the abnormal condition of an account's balance. EBS program managers informed us that EBS did not contain normal balances for its posting accounts or provide a report of accounts with abnormal balances. Standard SAP functionality has an "inflation key" data field, which would allow EBS program managers to enter a debit or credit normal balance for each account. In addition to providing necessary information about the account, it also can alert EBS program managers to potential problems when an account has an abnormal balance. The Director, DLA, should identify the normal balance of each EBS posting account by assigning a value in the inflation key data field of each posting account.

EBS Did Not Contain Account Definitions

EBS program managers did not establish definitions for each EBS posting account. The Blue Book requires financial management systems to contain definitions for

¹⁵ On September 8, 2011, the DLA Chief Financial Officer approved a Mission Work Agreement with DFAS, which requires DFAS to maintain the general ledger. The Agreement requires DFAS to post and reconcile the general ledger, prepare the trial balance, research and correct errors, and perform comparative analysis of report data. Also, the Agreement requires DFAS to perform fund control and budgetary accounting as well as generate accounting reports. Previously, DFAS performed this type of work without a formal agreement.

agency-specific general ledger sub-accounts and memorandum accounts. The account definition would allow EBS program managers to provide detailed information, such as:

- the purpose and use of an account,
- the type of data the system records in an account, and
- any other information necessary to understand the account.

EBS program managers confirmed that EBS did not contain account definitions nor did they establish these definitions outside the system. Instead, they relied on account titles to figure out how to use an account. Standard SAP functionality has two data fields for each account title: “Short Text” and “G/L Acct Long Text.” However, those data fields have limited space in EBS. Specifically, the “Short Text” data field allows only up to 20 characters and the “G/L Acct Long Text” data field allows only up to 50 characters. This space limitation may not provide the user with adequate information about the account. The Director, DLA, should define each account used. If SAP functionality does not provide a data field intended specifically for account definitions, EBS program managers should document account definitions external to the system.

EBS Should Contain the Official Crosswalk of DLA Financial Data

EBS program managers did not establish an internal crosswalk within EBS to report EBS posting accounts to an alternate chart of accounts containing the DoD SCOA reporting accounts. In his August 13, 2007, policy memorandum, the Acting Deputy Chief Financial Officer required consistent implementation of the DoD SCOA in ERP systems. These systems must include the DoD SCOA accounts within their system or have the capability to crosswalk existing posting accounts to an alternate chart of accounts capable of reporting the DoD SCOA reporting accounts. Once established, EBS would use the alternate chart of accounts to summarize transactional activity and report financial information to DDRS and other users in a DoD standard format. ERP systems may use more detail in their posting chart of accounts, but each posting account must report to only one DoD SCOA reporting account.

Standard SAP functionality includes crosswalking capability, which allowed program managers to populate an “alternative account number” data field for each posting account with a corresponding DoD SCOA reporting account. The SCR number BFI-09-034 included a crosswalk between the May 2009 version of the EBS chart of accounts and the FY 2009 DoD SCOA. The SCR also requested the implementation of the DoD SCOA within EBS. We reviewed the crosswalk and found 20 posting accounts mapped to multiple DoD SCOA reporting accounts. DLA Information Operations returned the SCR because of a lack of detail. Instead of implementing the SCR, EBS program managers relied on DFAS Columbus personnel to externally crosswalk data from EBS to DDRS.

In January 2012, DLA provided us three crosswalks for Supply Management, Document Services, and Strategic Materials. The crosswalks showed how DFAS had mapped the EBS working capital fund accounts to DoD SCOA accounts in DDRS-Budgetary. We compared the EBS posting accounts to the three Feeder Account Crosswalks and identified issues with how EBS program managers and DFAS personnel mapped the EBS posting accounts. For example,

- 22 invalid EBS posting accounts were aggregated to a specific four-digit GLAC.
- 28 EBS posting accounts were crosswalked to DoD SCOA accounts that should not be posted at the transaction level. Seven of the 28 accounts were crosswalked to accounts that DoD was not authorized to use.
- 47 EBS posting accounts were crosswalked to accounts contained in DDRS, but not contained in the DoD SCOA.

Crosswalking EBS posting accounts outside the system degrades the audit trail of the transactional data and can result in posting financial data to the improper accounts. The Director, DLA, should determine the appropriate DoD SCOA reporting account for each EBS posting account and establish an internal crosswalk to report transactional data to an alternate chart of accounts containing the current DoD SCOA.

EBS Must Generate Trial Balances That Report Directly to DDRS

EBS could not generate the trial balance data for direct reporting to DDRS. The system's inability to internally crosswalk its posting accounts to DoD SCOA reporting accounts prevented the summarizing of transactional activity needed to prepare the trial balance data for direct reporting to DDRS. As a result, DFAS personnel used manual workarounds to populate the DLA financial statements. Specifically, DFAS accountants downloaded trial balances from EBS and manually transmitted the data to DDRS. DFAS required at least four GS-12 accountants and one GS-11 accountant to download EBS trial balances and prepare the DDRS upload. Monthly, the following actions took place:

- DFAS personnel populated DLA Working Capital Fund financial information by creating text files using EBS trial balance data reports, refining that data, and manually uploading the data into DDRS. DFAS and DDRS Program Management Office personnel developed a crosswalk within DDRS to map EBS posting accounts to the DoD SCOA reporting accounts. We reviewed the crosswalk and identified EBS posting accounts that did not exist in the DoD SCOA. DFAS personnel stated that the additional accounts were necessary to report information for management reports.
- DFAS personnel manually crosswalked DLA General Fund trial balance data to the DoD SCOA and prepared journal vouchers to load the information into DDRS-Budgetary. DFAS personnel created manual working papers to support these journal vouchers. For example, DFAS personnel informed us that EBS

did not separately record Accounts Payable for Federal and Nonfederal transactions. Instead, EBS reported all accounts payable transactional activity initially in DDRS-Budgetary as Nonfederal, and then DFAS personnel adjusted the accounts payable balances, using journal vouchers, based on seller-side information. The manual workarounds compromised the audit trail because users could not trace the value of the financial statement line items to the supporting transaction level data. The manual processes crosswalked EBS posting accounts to DoD SCOA reporting accounts and SFIS attributes; however, we were unable to verify that the appropriate attributes were populated correctly in DDRS.

As of August 2012, DFAS billed DLA more than \$30 million to perform accounting functions in FY 2012. The inability of EBS to record transactional data correctly using SFIS and report trial balance data directly into DDRS caused DoD managers to require DFAS personnel to continue gathering and reconciling manual data to develop a complete DLA trial balance. These manual processes caused DoD to expend funds unnecessarily to develop a trial balance that EBS should be able to generate at the transaction level. The Director, DLA, should develop DLA trial balances by type of appropriation (general fund) or business activity (working capital fund) that comply with the SFIS Transaction Library and report directly into DDRS.

Limited Assurance of SFIS Implementation

DoD managers did not provide the consistent oversight or develop the stringent validation and certification procedures necessary to ensure that EBS and other ERP system program managers implemented SFIS requirements correctly. DoD managers developed the DoD SCOA and SFIS Transaction Library to provide the blueprint needed to substantially comply with the USSGL at the transaction level.

However, although these SFIS requirements substantially comply with the USSGL at the transaction level, DoD managers did not provide the needed oversight or take the actions necessary to ensure

Although these SFIS requirements substantially comply with the USSGL at the transaction level, DoD managers did not provide the needed oversight or take the actions necessary to ensure ERP systems program managers implemented those requirements.

ERP systems program managers implemented those requirements. Specifically, DoD managers had limited assurance that ERP system program managers implemented the SFIS requirements and that the Pre-Certification Authority

accurately reported the implementation status. DoD managers did not hold the ERP systems program managers accountable for not implementing SFIS requirements. Instead, DoD managers approved funding for EBS program managers to deploy additional system functionality knowing that EBS was not SFIS compliant. EBS did not meet general ledger and financial reporting requirements and required additional funding to implement applicable SFIS requirements. DoD managers also did not establish procedures requiring system owners to certify that their program managers correctly implemented all SFIS requirements or establish a comprehensive one-time validation process to baseline system compliance. During the last 2 years, the DoD

Office of Inspector General conducted audits on the other five DoD ERP general ledger systems to assess their compliance with the SFIS requirements.¹⁶ In all cases, the audits found that the ERP systems were not complying with the SFIS requirements.

Process Needed for Certifying SFIS Compliance

DoD managers did not validate that the Pre-Certification Authorities confirmed that program managers implemented SFIS requirements. A more robust certification process was needed that assigned accountability and ensured that system program managers properly assessed, documented the applicability, and implemented the SFIS requirements to their new systems. Instead, DCMO personnel relied on a self-certification process that did not provide assurance that EBS program managers had implemented the SFIS requirements. The Director, DLA, did not validate that the EBS program managers reengineered the business processes to subsume existing manual workarounds into EBS, nor did the Director inform the IRB that EBS program managers did not document the applicability of SFIS requirements to DLA business events. As a result, the IRB authorized funding for further EBS deployment to DLA activities and the funding of additional enhancements without EBS having a general ledger capable of recording the accounting transactions using SFIS business rules and posting logic. The Director, DLA, should validate and certify annually to the IRB that the EBS Program Management Office had properly documented the system's capability to report the current DoD SCOA and accomplish the transactional posting as detailed in the SFIS Transaction Library.

Baseline Needed for SFIS Compliance in ERP Systems

DoD managers did not develop a stringent validation process that could baseline whether an ERP system program manager effectively implemented the DoD SCOA and SFIS Transaction Library. In response to DoD Office of Inspector General Report No. D-2011-015, "Insufficient Governance Over Logistics Modernization Program System Development," November 2, 2010, DCMO personnel began evaluating ERP system compliance with SFIS requirements. However, instead of performing a complete review of a system's posting logic, this process reviewed only portions of the SFIS requirements and a sample of transactions for each system. DoD managers needed to establish procedures that would initially assess whether ERP systems implemented all applicable SFIS requirements correctly. Without performing an initial 100 percent posting logic review, DoD managers could not validate that ERP program managers effectively implemented all applicable SFIS requirements and established a baseline for testing future changes to SFIS requirements. After the Pre-Certification Authorities certify compliance with the SFIS requirements, DoD

¹⁶ The other five DoD ERP systems are the General Fund Enterprise Business System, Logistics Modernization Program system, Navy ERP system, Defense Enterprise Accounting and Management System, and Defense Agencies Initiative. See Appendix B for the audit reports. The issuance of the final report on the Defense Agencies Initiative has not yet occurred.

managers should conduct a one-time validation of each DoD ERP system that will baseline the system's capability to post its required DoD business events correctly.

Subsequent Updates to SFIS Requirements Needed Validation

DoD managers also did not develop consistent procedures to ensure that ERP system program managers assess and implement updates to DoD SCOA and SFIS Transaction Library timely. DoD managers currently have policy that states when they will update DoD SCOA and SFIS Transaction Library. If DoD managers had previously baselined the ERP system, they would need to validate subsequent updates to the SFIS requirements as they occur. Although DoD managers publish updates to SFIS requirements on the Office of the DCMO website, they did not validate that EBS program managers implemented the changes as required. Maintaining SFIS compliance is essential for DoD attaining the data standardization required to develop DoD financial statements and other financial management reports needed to support daily operations. After each subsequent update to the DoD SCOA and SFIS Transaction Library and business rules, the Director, DLA, should certify EBS compliance to the IRB. In addition, DoD managers should establish procedures to validate that the Pre-Certification Authorities certified accurately that system program managers implemented all subsequent updates to the DoD SCOA and SFIS Transaction Library. DoD managers should also validate that all ERP system program managers implemented SFIS requirements through a stringent validation and certification program.

Program Managers Needed to Address SFIS Requirements

EBS program managers did not establish the system funding priorities needed to implement SFIS requirements correctly. EBS program managers also did not assess the impact of not establishing the SFIS requirements before allocating additional funding to expand EBS capabilities and complete system deployment. Therefore, the additional functionality may not have the capability to record the financial events as required by the SFIS Transaction Library.

EBS program managers placed a higher priority on deploying the core system and implementing additional functions, such as Real Property and Energy Convergence, over making the changes necessary for SFIS compliance. The IRB certification process required that ERP systems demonstrate compliance with the DoD SCOA and SFIS Transaction Library before the system program managers meeting with the Enterprise Integration Team. During this meeting, the Enterprise Integration Team would evaluate EBS for SFIS compliance, which includes an assessment to ensure that EBS program managers implemented the SFIS business rules, attribute values, and standard configuration.

In meetings held during FYs 2010, 2011, and 2012, the IRB did not require EBS program managers to demonstrate full SFIS compliance before allowing additional funding for further deployment or system enhancements. Instead, the IRB permitted

EBS program managers to deploy additional system enhancements without ensuring the development of a transaction-level general ledger. Therefore, EBS program managers continued to use existing workarounds to record business events at the departmental level, rather than accomplishing the business reengineering necessary to record the events using a transaction-level general ledger. Specifically, EBS program managers did not identify all existing manual workarounds, such as data calls and journal vouchers, which they should have incorporated at the transaction level. The Director, DLA, should reengineer manual business processes to incorporate the recording of transactional data within EBS using SFIS posting logic and the DoD SCOA.

Support of DoD Financial Statements

DoD managers committed to producing fully auditable financial statements by FY 2017. However, EBS program managers have not implemented the SFIS requirements DLA will need to report accurate financial data in its general fund and working capital funds. DoD

The ability for EBS to implement SFIS requirements correctly is essential for achieving the financial data standards that DoD managers require to resolve the material weaknesses preventing auditable financial statements.

subsequently used this information to generate the DoD financial statements. As of September 30, 2012, EBS could not produce the trial balance data necessary for DLA to report its financial data correctly to DDRS. The ability for EBS to implement SFIS requirements

correctly is essential for achieving the financial data standards that DoD managers require to resolve the material weaknesses preventing auditable financial statements. DLA reported material weaknesses in several EBS end-to-end processes. For example, in FY 2011, DLA reported a material weakness with Fund Balance With Treasury related to reconciliations and undocumented processes for resolving undistributed disbursements and collections. In its Accounts Payable material weakness, DLA reported insufficient detail to determine if the system interfaces for DLA were operating effectively. The DoD SCOA and SFIS Transaction Library provided the data standardization needed to record and report the transactional data that would help DLA officials resolve these and other material weaknesses.

The SFIS requirements, if implemented correctly, would also provide DLA with the ability to record and execute DLA's budget authority at the transaction level. Without immediate actions to bring EBS in compliance with SFIS requirements, DoD was at increased risk of not achieving an auditable DoD Statement of Budgetary Resources for its general funds in FY 2014. In addition, DFAS must continue to perform manual workarounds and incur additional costs to reconcile and report DLA financial data since EBS could not generate trial balance data in accordance with the DoD SCOA. Incorporating this functionality in EBS would prevent DoD from performing the manual processes and data calls and reduce expenses.

Management Comments on the Finding and Our Response

Deputy Chief Financial Officer Comments

The Deputy Chief Financial Officer stated that he believes that we needed to remove Table 3 from the report because its figures were misleading. He stated that the three assessments depicted in the table were not comparable because DoD conducted them at different times and measured different things.

Deputy Chief Management Officer Comments

The DCMO stated that the SFIS validation performed on EBS during the pilot process was in no way associated to the Financial Management IRB funds certification process or BEA compliance. The DCMO stated that the EBS Program Management Office volunteered to help with the definition of an SFIS validation process, which would replace the self-assessment process. Therefore, she asserted that the pilot validation statistics were not comparable to either the BEA 8.0 DLA self-assessment or the BEA 8.0 DCMO assessment.

Our Response

The data depicted in Table 3 represent the actual results of each of the three assessments conducted on EBS by DoD personnel. The discussion in the report that precedes and follows the table clearly explains that the initial statistics depict a pilot process that was limited in scope and indicates that DoD managers correctly increased the scrutiny of the systems compliance when developing the follow on validation process for this and other ERP systems. DLA personnel told us that they used the pilot assessment methodology as their baseline for conducting their BEA 8.0 self-assessment.

In response to DoD Office of Inspector General Report No. D-2011-015, the USD(C)/CFO and DCMO stated that they piloted a SFIS and USSGL validation process. This pilot program eventually expanded into the Financial Management IRB process; during which, a cross-functional task force was to validate system configuration in accordance with SFIS business rules and the DoD SCOA. In February 2012, we requested DCMO personnel to conduct a full assessment because they did not assess EBS since it participated in the pilot and did not subject this system to the more stringent validation process. The original IRB process required a system to be SFIS compliant before allowing funding. Consequently, the Financial Management IRB should have used the assessment process to make funding decisions.

Recommendations, Management Comments, and Our Response

1. We recommend that the Deputy Chief Management Officer and Deputy Chief Financial Officer improve accountability for Standard Financial Information Structure implementation. They should direct their offices to:

a. Perform an immediate assessment of the Standard Financial Information Structure business rules and provide program managers of the core systems with a definitive listing of business rules that systems will require by FY 2014 to support financial reporting to the Governmentwide Treasury Account Symbol Adjusted Trial Balance System.

Deputy Chief Financial Officer Comments

The Deputy Chief Financial Officer agreed with the recommendation and stated that his office would work with the Deputy Chief Management Officer to provide a definitive list of business rules necessary to support GTAS financial reporting.

Deputy Chief Management Officer Comments

The Deputy Chief Management Officer agreed with the recommendation. She stated that her office performed an assessment of current SFIS business rules and, in conjunction with the Deputy Chief Financial Officer, they will distribute a definitive list to support GTAS financial reporting to the system program managers.

Our Response

Comments from the Deputy Chief Financial Officer and the Deputy Chief Management Officer were responsive. No further comments are required.

b. Restrict Enterprise Business System funding until program managers demonstrate that the system contains the Standard Financial Information Structure business rules, DoD Standard Chart of Accounts reporting accounts, and Standard Financial Information Structure Transaction Library posting logic needed to report its financial data properly.

Deputy Chief Financial Officer Comments

The Deputy Chief Financial Officer partially agreed with the recommendation and stated that DoD has procedures and processes in place, under the Defense Business Council, to ensure funding is limited or not certified for investment proposals that have not demonstrated compliance with requirements. The Deputy Chief Financial Officer stated that because EBS is not only the DLA general ledger, but also the supply chain solution, funding may only be restricted to the extent it does not adversely impact the DLA mission.

Deputy Chief Management Officer Comments

The Deputy Chief Management Officer partially agreed with the recommendation and provided comments similar to the Deputy Chief Financial Officer.

Our Response

Comments from the Deputy Chief Financial Officer and the Deputy Chief Management Officer were responsive. Although we agree that EBS also served as a supply-chain management system, DoD managers need to weigh carefully decisions that prioritize expansion of functionality over bringing the general ledger functionality into SFIS compliance. No further comments are required.

- c. Conduct a one-time validation of each DoD Enterprise Resource Planning system after Pre-Certification Authorities certify compliance with the Standard Financial Information Structure requirements.**

Deputy Chief Financial Officer Comments

The Deputy Chief Financial Officer agreed with the recommendation and stated that, in concert with the Deputy Chief Management Officer, their offices completed a one-time validation of 90 percent of the ERP general ledger accounting systems and made plans to complete the remaining systems.

Deputy Chief Management Officer Comments

The Deputy Chief Management Officer agreed with the recommendation and stated that her office completed a one-time validation of 90 percent of the target ERP general ledger accounting systems and made plans to complete the one-time validation of the remaining systems. She further stated that the receipt of the Pre-Certification Authority letters just before the beginning of the fiscal year does not allow enough time to conduct detailed validations in time to influence Defense Business Council funding decisions. Consequently, the validation process has to be an ongoing effort throughout the fiscal year.

Our Response

Comments from the Deputy Chief Financial Officer and the Deputy Chief Management Officer were partially responsive. Although they agreed with the recommendation, they did not address or specify when their offices would conduct a one-time validation to baseline each of the ERP systems under development. As discussed in this report, DoD established the BEA to comply with Public Law 110-181. The BEA requires ERP systems to be fully SFIS compliant. As of January 2013, the DLA EBS did not achieve full compliance. In addition, audits conducted on the other five ERP systems also identified that those systems did not achieve full SFIS compliance. Further, DCMO BEA assessments did not include a complete review of each of the systems' posting logic. The current process reviewed only portions of SFIS requirements. Until an initial 100 percent review of the posting logic is completed, DoD will lack assurance that program managers met all SFIS requirements. Once a system's Pre-Certification Authority asserts full SFIS

compliance, DCMO personnel should conduct a one-time validation of the ERP system functionality. This assessment will establish a baseline that assures DoD managers and Congress that the system program managers implemented the DoD SCOA and related posting logic needed to properly record DoD business events. We request the Deputy Chief Financial Officer and the Deputy Chief Management Officer provide additional comments on the final report concerning how and when they will conduct a baseline validation of each of the six ERP systems once their Pre-Certification Authorities assert full SFIS compliance.

d. Establish procedures to validate that the Pre-Certification Authorities certified accurately that Enterprise Resource Planning system program managers implemented all subsequent updates to the DoD Standard Chart of Accounts and Standard Financial Information Structure Transaction Library.

Deputy Chief Financial Officer Comments

The Deputy Chief Financial Officer agreed with the recommendation and stated that his office would work with the Deputy Chief Management Officer to implement the recommendation. He also stated that they would initiate a working group to determine the best way forward for validating the posting logic within the DoD Transaction Library.

Deputy Chief Management Officer Comments

The Deputy Chief Management Officer agreed with the recommendation and stated that her office would establish procedures to validate that Pre-Certification Authorities certify compliance with the DoD SCOA and all applicable updates. She also stated that they would initiate a working group to determine the best way forward for validating the posting logic within the DoD Transaction Library.

Our Response

Comments from the Deputy Chief Financial Officer and the Deputy Chief Management Officer were responsive. No further comments are required.

e. Validate that all Enterprise Resource Planning system program managers implemented Standard Financial Information Structure requirements for all subsequent updates through use of a stringent validation and certification program.

Deputy Chief Financial Officer Comments

The Deputy Chief Financial Officer agreed with the recommendation and stated that his office would work with the Deputy Chief Management Officer to establish procedures to validate that ERP systems implemented SFIS requirements for all subsequent updates through the Defense Business Council process.

Deputy Chief Management Officer Comments

The Deputy Chief Management Officer agreed with the recommendation and stated that her office would establish procedures to validate the SFIS updates and a requirement for the DoD Component to certify through the Defense Business Council process.

Our Response

Comments from the Deputy Chief Financial Officer and the Deputy Chief Management Officer were responsive. No further comments are required.

2. We recommend that the Director, Defense Logistics Agency:

- a. Validate and certify annually to Investment Review Board that the Enterprise Business System Program Management Office had properly documented the system's capability to report the current DoD Standard Chart of Accounts and accomplish the transactional posting as detailed in the Standard Financial Information Structure Transaction Library.**

Defense Logistics Agency Comments

The Deputy Director for Finance responded on behalf of the Director, Defense Logistics Agency. The Deputy Director agreed with the recommendation and stated that her office would develop appropriate documentation for verifying the DoD SCoA criteria to be submitted to DoD annually for IRB certification.

Our Response

Comments from the Deputy Director for Finance were responsive. No further comments are required.

- b. Reengineer manual business processes to incorporate the recording of transactional data within the Enterprise Business System using Standard Financial Information Structure posting logic and the DoD Standard Chart of Accounts.**

Defense Logistics Agency Comments

The Deputy Director for Finance responded on behalf of the Director, Defense Logistics Agency. The Deputy Director agreed with the recommendation and stated that her office would minimize manual departmental-level postings under the Audit Readiness umbrella by implementing auditable processes.

Our Response

Comments from the Deputy Director for Finance were responsive. No further comments are required.

c. Develop a plan of action and milestones within 90 days of the date of this report. The plan of action and milestones should:

(1) Detail the design and fund system change requirements necessary to implement the Standard Financial Information Structure business rules and Transaction Library needed to support the most recent version of the Business Enterprise Architecture before adding any other capabilities.

Defense Logistics Agency Comments

The Deputy Director for Finance responded on behalf of the Director, Defense Logistics Agency. The Deputy Director agreed with the recommendation and stated that the DLA Audit Readiness Posting Logic Team is preparing a corrective action plan to include EBS SCRs. The Deputy Director also stated that Audit Readiness efforts identified this issue as a deficiency requiring system changes. SCRs will be submitted when specific changes are identified.

Our Response

Comments from the Deputy Director for Finance were responsive. No further comments are required.

(2) Implement an Enterprise Business System alternate chart of accounts that has the capability to report the DoD Standard Chart of Accounts for general fund and working capital fund activities at the transactional level.

Defense Logistics Agency Comments

The Deputy Director for Finance responded on behalf of the Director, Defense Logistics Agency. The Deputy Director agreed with the recommendation and stated that Audit Readiness efforts identified this issue as a deficiency requiring system changes. She stated that SAP recently released new GTAS functionality that will also improve the SFIS compliance plan.

Our Response

Comments from the Deputy Director for Finance were responsive. No further comments are required.

(3) Determine the appropriate DoD Standard Chart of Accounts reporting account for each Enterprise Business System posting account and establish an internal crosswalk to report transactional data to an alternate chart of accounts containing the current DoD Standard Chart of Accounts.

Defense Logistics Agency Comments

The Deputy Director for Finance responded on behalf of the Director, Defense Logistics Agency. The Deputy Director partially agreed with the recommendation, but stated it was premature to decide on the approach. She stated that DLA is currently

working on the most efficient and comprehensive approach to enhance EBS compliance with the USSGL and SFIS.

Our Response

Comments from the Deputy Director for Finance were partially responsive. Since August 13, 2007, DoD has required ERP system program managers to determine which DoD SCOA reporting accounts are applicable and how they should internally crosswalk the existing general ledger posting accounts to report transactional data to an alternate chart of accounts. Therefore, DLA should take immediate actions to comply with this requirement. We request that the Director, Defense Logistics Agency, provide additional comments on the final report addressing corrective actions for ensuring compliance with the DoD SCOA.

(4) Develop trial balances by Defense Logistics Agency appropriation (general fund) or business activity (working capital fund) that comply with the Standard Financial Information Structure Transaction Library and can report directly into the Defense Departmental Reporting System.

Defense Logistics Agency Comments

The Deputy Director for Finance responded on behalf of the Director, Defense Logistics Agency. The Deputy Director agreed with the recommendation and stated that DFAS manual workarounds will be replaced by actions taken in response to Recommendations 2.c.(1), 2.c.(2), and 2.c.(3).

Our Response

Comments from the Deputy Director for Finance were responsive. No further comments are required.

d. Develop procedures to verify that the Enterprise Business System Program Management Office updates the Enterprise Business System posting and reporting charts of accounts after each update to the DoD Standard Chart of Accounts.

Defense Logistics Agency Comments

The Deputy Director for Finance responded on behalf of the Director, Defense Logistics Agency. The Deputy Director agreed with the recommendation and stated that this requirement falls under the Audit Readiness efforts. DLA already established a posting logic team to monitor updates to the DoD SCOA.

Our Response

Comments from the Deputy Director for Finance were responsive. No further comments are required.

e. Certify Enterprise Business System compliance to the Investment Review Board after each subsequent update to the DoD Standard Chart of

Accounts and Standard Financial Information Structure Transaction Library and business rules.

Defense Logistics Agency Comments

The Deputy Director for Finance responded on behalf of the Director, Defense Logistics Agency. The Deputy Director partially agreed with the recommendation and stated that DLA would follow processes developed by DoD in response to Recommendation 1 and provide appropriate documentation for verifying compliance with the DoD SCOA and SFIS Transaction Library once updates occur.

Our Response

Comments from the Deputy Director for Finance were responsive. The Deputy Chief Financial Officer and the Deputy Chief Management Officer plan to establish procedures to validate that all ERP system program managers implemented the SFIS and all subsequent updates through the Defense Business Council process. The Defense Business Systems Investment Management Process Guidance, dated June 2012, states that the council will assess the determination made by the Pre-Certification Authority to ensure that each applicable Defense business system is compliant. No further comments are required.

f. Identify the normal balance of each Enterprise Business System posting account by assigning a value in the inflation key data field of each posting account. If SAP functionality does not provide sufficient space for account definitions, Enterprise Business System program managers should document account definitions external to the system.

Defense Logistics Agency Comments

The Deputy Director for Finance responded on behalf of the Director, Defense Logistics Agency. The Deputy Director partially agreed with the recommendation and stated that DLA will identify normal account balances. The Audit Readiness corrective actions plan will identify account definition requirements and develop a normal balance indicator. Based on the results of the plan, the indicator may or may not incorporate the inflation key data field.

Our Response

Comments from the Deputy Director for Finance were responsive. No further comments are required.

Appendix A. Scope and Methodology

We conducted this performance audit from December 2011 through January 2013 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We reviewed DLA procedures developed to establish and maintain the EBS general ledger as well as the processes followed by the personnel with the Offices of the USD(C)/CFO and DCMO to ensure EBS complied with DoD policies and regulations. We reviewed Pre-Certification Authority and IRB documentation for SFIS related actions and decisions. We interviewed personnel from the Offices of USD(C)/CFO, DCMO, DLA Finance, and DLA Information Operations in Fort Belvoir, Virginia, and DFAS Columbus, Ohio.

From DLA, we obtained the EBS chart of accounts in use during FY 2012. We non-statistically reviewed trial balance files submitted to DFAS Columbus. Specifically, we reviewed trial balances compiled by DFAS for December 2011 to determine whether EBS complied with the USSGL at the transaction level. We selected these data files because they showed how DFAS used the trial balances to populate the general ledger accounts on the quarterly financial statements. In February 2012, we also observed the Office of DCMO's BEA 8.0 assessment of EBS, which determined whether EBS had the functional capability to comply with SFIS requirements. We monitored the assessment through July 31, 2012. In addition, we obtained documentation on how EBS records and reports attributes at the transaction level.

We compared the DoD SCOA and SFIS Transaction Library to requirements contained in the Supplement to determine whether proper SFIS implementation ensures compliance with the USSGL at the transaction level. We determined whether EBS complied with the SFIS and USSGL by comparing the EBS chart of accounts to the DoD SCOA and the SFIS Transaction Library. Specifically, we determined whether:

- the EBS chart of accounts contained all the GLACs required by the DoD SCOA to support DLA General Fund and Working Capital Fund business processes, including proper nomenclature and normal balances,
- EBS posted transactions using the mandatory SFIS attributes and posting logic, and
- EBS GLACs were crosswalked to the correct DoD SCOA GLACs for financial reporting.

We reviewed the January 31, 2012, and May 31, 2012, transactions supporting 21 EBS posting accounts to determine the significance on Federal Agency Centralized Trial-Balance System (FACTS) I and II reporting of not properly recording the

business rules. We also analyzed the December 2011 trial balances to identify abnormal GLAC balances. We reviewed the EBS SCR designed to implement SFIS to determine whether the request, if implemented, would give EBS the ability to be SFIS compliant. We reviewed procedures followed by DFAS Columbus, Departmental Reporting and Account Maintenance and Control Directorates personnel during the monthly financial reporting process to determine the type, quantity, and value of manual journal vouchers prepared for DLA; where DFAS obtained the source data for the vouchers; and why adjusting the EBS trial balance data manually.

We considered the following laws, regulations, and policies in evaluating DLA and DoD procedures, the EBS GLAC structure, and EBS SFIS compliance.

- 10 U.S.C. Section 1005
- 10 U.S.C. Section 2222
- FFMIA
- Public law 97-255, Federal Managers' Financial Integrity Act of 1982
- OMB Circular A-127
- DoD FMR, volumes 1 and 6B
- U.S. Treasury Financial Manual, USSGL Supplement
- DoD SCOA
- SFIS Transaction Library
- USD(C)/CFO memorandum, "Standard Financial Information Structure (SFIS) Implementation Policy," August 4, 2005
- Acting Deputy Chief Financial Officer memorandum, "DoD Standard Chart of Accounts in Standard Financial Information Structure (SFIS)," August 13, 2007

Use of Computer-Processed Data

To perform this audit, we used EBS trial balance data and summary trial balances compiled by DFAS Columbus as of December 2011. Specifically, we reviewed trial balance data files to analyze them for abnormal account balances, missing accounts, and missing attributes. We used this information to determine whether EBS implemented SFIS and USSGL requirements. We also reviewed the manual journal vouchers used to adjust the EBS data that DFAS Columbus personnel input monthly to identify the types of vouchers prepared and their purpose. We used this information to identify which USSGL accounts the vouchers affected and determine whether EBS had the capability to populate these accounts. We believe the computer-processed data we used were sufficiently reliable to support the findings and conclusions in this report.

Use of Technical Assistance

We did not use technical assistance during the audit.

Appendix B. Prior Coverage

During the last 5 years, the Government Accountability Office (GAO) and the Department of Defense Inspector General (DoD IG) issued 11 reports discussing EBS and other ERP systems compliance with USSGL and FFMIA and their ability to record financial transactions according to accounting standards. Unrestricted GAO reports can be accessed over the Internet at <http://www.gao.gov>. Unrestricted DoD IG reports can be accessed at <http://www.dodig.mil/audit/reports>.

GAO

Report No. GAO-12-685, “DoD Business System Modernization: Governance Mechanisms for Implementing Management Controls Need to Be Improved,” June 1, 2012

Report No. GAO-12-177T, “DoD Financial Management: Challenges in the Implementation of Business Systems Could Impact Audit Readiness Efforts,” October 27, 2011

Report No. GAO-11-53, “DoD Business Transformation: Improved Management Oversight of Business System Modernization Efforts Needed,” October 7, 2010

Report No. GAO-10-808, “Financial Management Systems: Experience with Prior Migration and Modernization Efforts Provides Lessons Learned for New Approach,” September 8, 2010

DoD IG

Report No. DODIG-2012-140, “An Unreliable Chart of Accounts Affected Auditability of Defense Enterprise Accounting and Management System Financial Data,” September 28, 2012

Report No. DODIG-2012-111, “Enterprise Resource Planning Systems Schedule Delays and Reengineering Weaknesses Increase Risks to DoD’s Auditability Goals,” July 13, 2012

Report No. DODIG-2012-066, “General Fund Enterprise Business System Did Not Provide Required Financial Information,” March 26, 2012

Report No. DODIG-2012-051, “Navy Enterprise Resource Planning System Does Not Comply With the Standard Financial Information Structure and U.S. Government Standard General Ledger,” February 13, 2012

Report No. D-2011-015, “Insufficient Governance Over Logistics Modernization Program System Development,” November 2, 2010

Report No. D-2008-096, “Identification and Reporting of Improper Payments by the Defense Logistics Agency,” May 20, 2008

Report No. D-2008-081, "Controls Over the Reconciliation of Defense Logistics Agency Non-Energy Inventory Balances," April 25, 2008

Appendix C. Congressional Request Letter

Congress of the United States
Washington, DC 20515

September 13, 2011

Mr. Dan Blair
Deputy Inspector General for Audit
Department of Defense Inspector General
400 Army Navy Drive
Arlington, VA 22202

Dear Mr. Blair,

We thank you for your continued work as the Deputy Inspector General for Audit at the Department of Defense Inspector General's Office. We appreciate your cooperation and the cooperation of your staff in working with us to help eliminate fraud, waste, and abuse at the Department of Defense.

As you develop your future plan for audits, we ask that you consider examining the Enterprise Resource Planning (ERP) software systems that the Department of Defense is acquiring to replace their legacy financial systems. As you know, the Department of Defense's inability to obtain a clean opinion on their financial statements is directly linked to auditors not being able to independently verify payments from legacy financial systems and a lack of adequate internal controls. The new ERP systems were developed in the private sector and are intended to enforce 'best practices' as well as comply with Generally Accepted Auditing Practices (GAAP).

We are concerned with the increasing cost and delayed schedule of some of the ERP software systems and their compliance with Generally Accepted Government Auditing Standards (GAGAS). The military services and defense agencies are spending billions of dollars and taking years to implement commercial "off-the-shelf" software. We want to be sure that the end result of this information technology investment procured at great expense to the taxpayers is reliable financial information and auditable financial statements and records.

We respectfully ask that you audit or review of ERP systems that have not yet been fully deployed. Also we ask that you determine whether the military services and defense agencies are complying with Section 1072 of the National Defense Authorization Act of 2010 with regards to their ERP acquisition.

Thank you for your consideration of this request.

Sincerely,


Charles E. Grassley
United States Senator


Tom A. Coburn, M.D.
United States Senator

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Appendix D. SFIS Business Rules Not Configured in EBS Correctly

During a DCMO assessment conducted from February 2012 through August 2012, EBS could not demonstrate the ability to populate 99 business rules supporting 41 of the 55 SFIS attributes, applicable to DLA business activities, correctly. The following table identifies the 41 attributes and the 99 associated business rules.

Table. SFIS Attributes With Noncompliant Business Rules

Attribute Count	SFIS Attribute Number	Attribute Name	Business Rule Number	Business Rule
1	A11	Advance Flag Code	185581	Advance Flag Code used for general ledger posting, financial reporting, and budgetary control.
2	A5	Apportionment Category Code	185563	Apportionment Category Code used for accounting classification, general ledger posting, financial reporting, budgetary control, and funds control.
3	CA12	Asset Unique Identification	183099	Each Item Unique Identifier construct may be enterprise or part number serialized.
	CA12	Asset Unique Identification	183100	For items that are enterprise serialized, achieve unique identification by a combination of the issuing agency code, enterprise identifier and the serial number, which must be unique within the enterprise identifier.
	CA12	Asset Unique Identification	183101	For items that are part number serialized, achieve unique identification by a combination of the issuing agency code, enterprise identifier, the original part number, and the serial number.

Attribute Count	SFIS Attribute Number	Attribute Name	Business Rule Number	Business Rule
	CA12	Asset Unique Identification	183102	Each Real Property Unique Identifier must be an 18-character integer.
	CA12	Asset Unique Identification	183103	At creation, the Web based system-generated Real Property Unique Identifier non-intelligent identifier must be validated and cross-referenced to prevent duplication.
	CA12	Asset Unique Identification	183104	The Real Property Unique Identifier must not contain spaces, hyphens, or other edit characters.
	CA12	Asset Unique Identification	183105	Real Property Unique Identifier may be referenced in a parent-child relationship to other Real Property Unique Identifiers for related subsets of assets, as needed for data linkages.
	CA12	Asset Unique Identification	185730	Asset Unique Identification must be a maximum of 50-alphanumeric characters.
	CA12	Asset Unique Identification	185731	Use Asset Unique Identification for asset accountability.
	CA12	Asset Unique Identification	185732	Each accounting system must store and maintain Asset Unique Identification values.
4	A12	Authority Type Code	185584	Use Authority Type Code for accounting classification, general ledger posting, financial reporting, budgetary control, and funds control.

Attribute Count	SFIS Attribute Number	Attribute Name	Business Rule Number	Business Rule
5	A13	Availability Time Indicator	185587	Use Availability Time Indicator for financial reporting and budgetary control.
	A13	Availability Time Indicator	185588	Derivation of Availability Time Indicator based on an examination of the Period of Availability Fiscal Year Date associated with an appropriation against the current accounting period is an acceptable practice within each accounting system.
6	B9	Budget Enforcement Act Category Indicator Code	185650	Use Budget Enforcement Act Category Indicator for accounting classification and financial reporting.
7	T4	Begin/End Indicator	185670	Begin/End Indicator must be one alpha character.
	T4	Begin/End Indicator	185671	Use Begin/End Indicator for financial reporting.
8	A27	Beginning Period of Availability	720603	If used for Annual or Multi-Year funding, Beginning Period of Availability must be four alphanumeric characters.
	A27	Beginning Period of Availability	720604	If used for No-Year funding, Beginning Period of Availability must be four alphanumeric characters.
	A27	Beginning Period of Availability	720605	If used for Annual or Multi-Year funding, use the Beginning Period of Availability for accounting classification, financial reporting, budgetary control, and funds control.

Attribute Count	SFIS Attribute Number	Attribute Name	Business Rule Number	Business Rule
9	A14	Borrowing Source Code	185590	Use Borrowing Source Code for general ledger posting, financial reporting, and budgetary control.
10	B2	Budget Activity Identifier	000000	Use Budget Activity Identifier for financial reporting, budgetary control, and funds control.
	B2	Budget Activity Identifier	185631	Budget Activity Identifier must be two numeric characters.
	B2	Budget Activity Identifier	185633	Each accounting system must store and maintain Budget Activity Identifier values.
	B2	Budget Activity Identifier	190058	A Budget Activity Identifier must be associated to the accounting classification structure when the President signs the appropriation and maintained until the cancellation of available funding.
11	B1	Budget Function/Sub-Function Code	185629	Use Budget Function/Sub-Function Code for general ledger posting and financial reporting.
12	B4	Budget Line Item Identifier	185637	Budget Line Item Identifier may be up to 16-alphanumeric characters.
	B4	Budget Line Item Identifier	185638	Use Budget Line Item Identifier for accounting classification, financial reporting, budgetary control, and funds control.

Attribute Count	SFIS Attribute Number	Attribute Name	Business Rule Number	Business Rule
	B4	Budget Line Item Identifier	185639	Each accounting system must store and maintain Budget Line Item Identifier values.
	B4	Budget Line Item Identifier	190060	Establish a Budget Line Item Identifier in the accounting classification structure when the President signs the appropriation and maintain until cancellation of available funding.
13	B3	Budget Sub Activity Identifier	185634	Budget Sub Activity Identifier must be a maximum of six numeric characters.
	B3	Budget Sub Activity Identifier	185635	Use the Budget Sub Activity Identifier for financial reporting and funds control.
	B3	Budget Sub Activity Identifier	185636	Each accounting system must store and maintain Budget Sub Activity Identifier values.
	B3	Budget Sub Activity Identifier	190062	Establish a Budget Sub Activity Identifier in the accounting classification structure when the President signs the appropriation and maintain until cancelation of available funding.
14	T20	Business Event Type Code	190063	Use the Business Event Type Code for general ledger posting and financial reporting.
	T20	Business Event Type Code	190064	Business Event Type Code must be no more than eight alpha characters.
	T20	Business Event Type Code	190065	Each system must store and maintain Business Event Type Code values.

Attribute Count	SFIS Attribute Number	Attribute Name	Business Rule Number	Business Rule
15	TP3	Business Partner Number	183084	Use the Business Partner Number from the Business Partner Network in conjunction with Department Regular Code, Main Account Code, and Sub-Account Code for eliminations.
	TP3	Business Partner Number	185722	Use the Business Partner Number for general ledger posting and financial reporting for any transaction involving a Federal Government/Non-Federal Exception vendor or customer.
16	T12	Country Code	185692	Use the Country Code for financial reporting.
	T12	Country Code	190066	If script independence of Country Code is important, then ISO 3166-1 may be used which contains an alpha-3 country code having better mnemonic properties and a numeric-3 country code.
17	T14	Covered/Uncovered Indicator	183068	If a liability is not supported by an appropriation as of the fiscal year end, then it must be classified as uncovered, else classify as covered.
	T14	Covered/Uncovered Indicator	185697	Covered/Uncovered Indicator must be one alpha character.
	T14	Covered/Uncovered Indicator	185698	Use the Covered/Uncovered Indicator for financial reporting.
	T14	Covered/Uncovered Indicator	185699	Each accounting system must store and maintain Covered/Uncovered Indicator values.

Attribute Count	SFIS Attribute Number	Attribute Name	Business Rule Number	Business Rule
18	T15	Current/ Non-current Indicator	185700	Current/Non-Current Indicator must be one alpha character.
	T15	Current/ Non-current Indicator	185701	Use the Current/Non-Current Indicator for financial reporting.
	T15	Current/ Non-current Indicator	185702	Each accounting system must store and maintain Current/Non-Current Indicator values.
	T15	Current/ Non-current Indicator	190103	If a liability is to be liquidated within 12 months from the time of reporting, then the value must be 'C,' else the value will be 'N.'
19	T10	Custodial/ Non-Custodial Indicator	183064	Use the Custodial/Non-Custodial Indicator only when recording receivable, payable, revenue, and expense general ledger transactions.
	T10	Custodial/ Non-Custodial Indicator	185686	Use the Custodial/Non-Custodial Indicator for general ledger posting and financial reporting.
20	T3	Debit/Credit Indicator	185668	Use the Debit/Credit Indicator for general ledger posting and financial reporting.
21	A2	Department Transfer Code	185554	Use the Department Transfer Code for accounting classification, general ledger posting, financial reporting, budgetary control, and funds control.
22	A21	Direct Transfer Account Code	183010	Post the Direct Transfer Account Code in conjunction with Direct Transfer Agency.

Attribute Count	SFIS Attribute Number	Attribute Name	Business Rule Number	Business Rule
	A21	Direct Transfer Account Code	185608	Use the Direct Transfer Account Code for accounting classification, general ledger posting, financial reporting, and budgetary control.
23	A20	Direct Transfer Agency Code	183009	Post the Direct Transfer Agency Code in conjunction with Direct Transfer Account Code.
	A20	Direct Transfer Agency Code	185611	Use the Direct Transfer Agency Code for accounting classification, general ledger posting, financial reporting, and budgetary control.
24	A28	Ending Period of Availability	720610	Ending Period of Availability must be four alphanumeric characters.
	A28	Ending Period of Availability	720611	If the Ending Period of Availability is associated with no-year funding, then it must be 'XXXX.'
	A28	Ending Period of Availability	720612	If used for Annual or Multi-Year funding, use the Ending Period of Availability for accounting classification, financial reporting, budgetary control, and funds control.
25	T13	Entity/Non-Entity Indicator	185695	Use the Entity/Non-Entity Indicator for financial reporting.
26	T9	Exchange/Non-Exchange Indicator	183063	Use the Exchange/Non-Exchange Indicator only if recording revenue general ledger transactions.

Attribute Count	SFIS Attribute Number	Attribute Name	Business Rule Number	Business Rule
	T9	Exchange/ Non-Exchange Indicator	185683	Use the Exchange/Non-Exchange for general ledger posting and financial reporting.
27	TP1	Federal/ Non-Federal Indicator	185716	Use the Federal/Non-Federal Indicator for general ledger posting and financial reporting.
	TP1	Federal/ Non-Federal Indicator	183077	If the Trading Partner Number has a value, Federal/Non-Federal Indicator value must be 'F'.
28	T22	Foreign Military Sales Case Identifier	190071	Each Foreign Military Sales Case Identifier must have at least one Foreign Military Sales Customer.
	T22	Foreign Military Sales Case Identifier	190072	Each Foreign Military Sales Case Identifier must have at least one Foreign Military Sales Case Line Item Identifier.
	T22	Foreign Military Sales Case Identifier	190073	Use the Foreign Military Sales Case Identifier for financial reporting, budgetary control, and funds control.
	T22	Foreign Military Sales Case Identifier	190074	Foreign Military Sales Case Identifier must be three alphanumeric characters.
	T22	Foreign Military Sales Case Identifier	190075	If the system executes Foreign Military Sales transactions, then each system must store and maintain Foreign Military Sales Case Identifier values.

Attribute Count	SFIS Attribute Number	Attribute Name	Business Rule Number	Business Rule
29	T23	Foreign Military Sales Case Line Item Identifier	190079	Foreign Military Sales Case Line Item Identifier must be associated with only one Foreign Military Sales Case Identifier.
	T23	Foreign Military Sales Case Line Item Identifier	190080	Use the Foreign Military Sales Case Line Item Identifier for financial reporting, budgetary control, and funds control.
	T23	Foreign Military Sales Case Line Item Identifier	190081	Foreign Military Sales Case Line Item Identifier must be three alphanumeric characters.
	T23	Foreign Military Sales Case Line Item Identifier	190082	If the system executes Foreign Military Sales transactions, then each system must store and maintain Foreign Military Sales Case Line Item Identifier values.
30	T21	Foreign Military Sales Customer Code	190076	Use the Foreign Military Sales Customer Code for financial reporting, budgetary control, and funds control.
	T21	Foreign Military Sales Customer Code	190077	Foreign Military Sales Customer Code must be two alphanumeric characters.
	T21	Foreign Military Sales Customer Code	190078	If the system executes Foreign Military Sales transactions, then each system must store and maintain the Foreign Military Sales Customer Code values.

Attribute Count	SFIS Attribute Number	Attribute Name	Business Rule Number	Business Rule
31	A10	Fund Type Code	185578	Use the Fund Type Code for general ledger posting, financial reporting, budgetary control, and funds control.
32	A3	Main Account Code	185557	Use the Main Account Code for accounting classification, general ledger posting, financial reporting, budgetary control, and funds control.
33	B6	Object Class Code	183026	Use the OMB designated object classification codes when posting general ledger transaction to record the effect of budgetary expenditures.
	B6	Object Class Code	183028	Use the Object Class Codes to present obligations by the items or services purchased by the Government.
	B6	Object Class Code	185644	Use the Object Class Code for financial reporting.
34	A6	Receipt Indicator	185566	Use the Receipt Indicator for accounting classification and financial reporting.
35	A9	Reimbursable Flag Indicator	185575	Use the Reimbursable Flag Indicator for financial reporting and budgetary funds.
36	A7	Sub Class Code	185568	Sub-Class must be two numeric characters.
	A7	Sub Class Code	185569	Use the Sub Class Code for accounting classification and financial reporting.

Attribute Count	SFIS Attribute Number	Attribute Name	Business Rule Number	Business Rule
37	A4	Sub-Account Code	185560	Use the Sub-Account Code for accounting classification, general ledger posting, financial reporting, budgetary control, and funds control.
38	TP2	Trading Partner Indicator Code	185719	Use the Trading Partner Indicator Code for general ledger posting and financial reporting.
	TP2	Trading Partner Indicator Code	183078	A Trading Partner Indicator Code value is required, whenever the trading partner is a federal entity.
39	T1	Transaction Type Code	185663	Each accounting system must maintain a chart of accounts and utilize general ledger posting logic that attains the same results as the USSGL Transaction Library.
	T1	Transaction Type Code	190093	Different Transaction Type Code values may be used only if the accounting system is posting all applicable transactions using compliant general ledger posting logic
40	T2	USSGL/DoD Account Code	183047	Each General Ledger Account in the Accounting System must be associated with one and only one USSGL Account

Attribute Count	SFIS Attribute Number	Attribute Name	Business Rule Number	Business Rule
	T2	USSGL/DoD Account Code	185664	All general ledger accounts within the accounting system used for posting must begin with a valid four-digit USSGL account number, but may be extended up to 10 alphanumeric characters. Ex. 1010.1000A
	T2	USSGL/DoD Account Code	185665	A “Reporting” Chart of Accounts must exist within the accounting system which enforces the following: Every “Posting” general ledger account must roll up to, or be subordinate to one and only one GLAC within the DoD SCOAs with this linkage occurring at “time of transaction.”
	T2	USSGL/DoD Account Code	185666	The system Reporting Chart of Accounts must contain only accounts contained within the current Office of Secretary of Defense Comptroller Memorandum identifying the individual accounts within the Reporting Chart of Accounts.
41	A19	Year of Budget Authority Indicator	185604	Year of Budget Authority Indicator must be three alpha characters.

Attribute Count	SFIS Attribute Number	Attribute Name	Business Rule Number	Business Rule
	A19	Year of Budget Authority Indicator	185605	Use the Year of Budget Authority Indicator for general ledger posting and financial reporting.
	A19	Year of Budget Authority Indicator	185606	Derivation of Year of Budget Authority Indicator based on a comparison of the current reporting period date against the budget program year is an acceptable practice within the accounting system, however, use the same data used for the derivation to support general ledger posting logic.

Appendix E. Review of EBS Attributes

We reviewed 21 EBS posting accounts to determine whether they accurately recorded the attributes needed to support USSGL FACTS I and II reporting. We reviewed these accounts as of January 31, 2012, and determined that 18 of the 21 accounts were not accurately recording the required attributes for reporting FACTS I and II data.

Subsequently, EBS program managers informed us that they had corrected many of the errors after January 31, 2012. We retested the 21 accounts as of May 31, 2012, and found that 17 of the accounts continued to report incorrect data. Three of the accounts have an impact on the Statement of Budgetary Resources. The following table identifies the 21 EBS posting accounts, the number of attributes tested for each GLAC, and the number of attributes that did not comply with USSGL FACTS I and II reporting requirements at the transaction level.

Table. EBS Attributes Reviewed

Count	EBS GLAC	Compliant With USSGL Reporting Requirements	Attributes Required for Financial Reporting	Attributes Not Compliant as of January 2012	Attributes Not Compliant as of May 2012*
1	1010.0100	No	6	1	-
2	1310.0100	No	4	3	1
3	1410.0100	Yes	3	0	0
4	2110.0100	No	4	3	2
5	2310.0101	No	3	1	1
6	3102.0100	No	2	2	-
7	3103.0100	No	2	2	-
8	4032.0100	Yes	4	2	0
9	4221.0100	No	6	2	2
10	4610.0100	No	7	2	1
11	4801.2600	No	9	5	4
12	5100.0100	No	4	1	1
13	5109.0900	No	4	1	1
14	5310.0100	No	6	1	1

* Dash means that no transactions were available for this month. For those accounts, our conclusions are based on the January 2012 data.

Count	EBS GLAC	Compliant With USSGL Reporting Requirements	Attributes Required for Financial Reporting	Attributes Not Compliant as of January 2012	Attributes Not Compliant as of May 2012
15	6100.0100	No	3	1	2
16	6400.1210	No	4	2	2
17	6720.0100	No	4	1	–
18	7110.0200	No	5	2	2
19	7190.0130	No	6	3	3
20	8801.0200	Yes	2	0	0
21	8803.0300	Yes	2	0	0
Totals			90	35	23

Appendix F. Missing DoD Standard Reporting Accounts

The development of an EBS chart of accounts capable of recording all DLA business events is essential to achieving and maintaining FFMIA compliance. The USD(C)/CFO issued a DoD SCOA to identify the reporting chart of accounts needed to conduct business events within DoD. As an ERP system that will record both general fund and working capital fund business activities, EBS should have been capable of reporting 693 specific accounts contained in the DoD SCOA. The following table identifies the 241 DoD SCOA accounts that were not contained in the EBS chart of accounts.

Table. Missing DoD Reporting Accounts

Count	DoD Reporting Account	DoD Reporting Account Title
1	1010.9000	Fund Balance With Treasury
2	1125.9000	U.S. Debit Card Funds
3	1310.0100	Accounts Receivable-Vendor Overpayment-Capitalized Purchase
4	1310.0200	Accounts Receivable-Vendor Overpayment
5	1310.0910	Accounts Receivable-Undistributed Collections-Appropriation Level
6	1310.0920	Accounts Receivable-Undistributed Collections-Component Level
7	1310.0930	Accounts Receivable-Undistributed Collections-Business Area Level
8	1310.0940	Accounts Receivable-Undistributed Collections-Installation Level
9	1310.0950	Accounts Receivable-Unsupported Undistributed Collections-Department Level
10	1340.0100	Interest Receivable -Interest Purchased
11	1341.8100	Interest Receivable – Military Housing Privatization Initiative Loans
12	1341.8200	Interest Receivable - Armament Retooling and Manufacturing Support Loans
13	1341.8410	Interest Receivable - Foreign Military Loan Liquidating Account Loans
14	1341.8510	Interest Receivable - Military Debt Reduction Financing Account Loans

Count	DoD Reporting Account	DoD Reporting Account Title
15	1342.9000	Interest Receivable – Investments
16	1345.8100	Allowance for Loss on Interest Receivable - Military Housing Privatization Initiative Loans
17	1345.8200	Allowance for Loss on Interest Receivable - Armament Retooling and Manufacturing Support Loans
18	1345.8410	Allowance for Loss on Interest Receivable - Foreign Military Loan Liquidating Account Loans
19	1346.9000	Allowance for Loss on Interest Receivable – Investments
20	1347.9000	Allowance for Loss on Interest Receivable - Not Otherwise Classified
21	1350.8100	Loans Receivable-Military Housing
22	1350.8200	Loans Receivable- Armament Retooling and Manufacturing Support Loans Program
23	1350.8410	Loans Receivable- Foreign Military Loan Liquidating Account - Pre-FY1992
24	1350.8510	Loans Receivable- Military Debt Reduction Financing Account Post FY1991
25	1351.9000	Capitalized Loan Interest Receivable - Non-Credit Reform
26	1359.8100	Allowance for Loss on Loans Receivable-Military Housing
27	1359.8200	Allowance for Loss on Loans Receivable- Armament Retooling and Manufacturing Support Loans Program
28	1359.8410	Allowance for Loss on Loans Receivable- Foreign Military Loan Liquidating Account -Pre-FY1992
29	1361.8100	Penalties and Fines Receivable - Loans-Military Housing
30	1361.8200	Penalties and Fines Receivable - Loans- Armament Retooling and Manufacturing Support Loans Program

Count	DoD Reporting Account	DoD Reporting Account Title
31	1361.8410	Penalties and Fines Receivable - Loans- Foreign Military Loan Liquidating Account - Pre FY1992
32	1361.8510	Penalties and Fines Receivable - Loans- Military Debt Reduction Financing Account - Post FY1991
33	1365.8100	Allowance for Loss on Penalties and Fines Receivable – Military Housing Privatization Initiative Loans-Military Housing
34	1365.8200	Allowance for Loss on Penalties and Fines Receivable - Armament Retooling and Manufacturing Support Loans-Loans Program
35	1365.8410	Allowance for Loss on Penalties and Fines Receivable - Foreign Military Loan Liquidating Account Loans- Pre FY1992
36	1367.9000	Allowance for Loss on Penalties and Fines Receivable - Not Otherwise Classified
37	1370.9000	Administrative Fees Receivable - Not Otherwise Classified
38	1371.9000	Administrative Fees Receivable – Loans
39	1375.9000	Allowance for Loss on Administrative Fees Receivable – Loans
40	1377.9000	Allowance for Loss on Administrative Fees Receivable - Not Otherwise Classified
41	1399.8100	Allowance for Subsidy-Military Housing
42	1399.8200	Allowance for Subsidy- Armament Retooling and Manufacturing Support Loans Program
43	1399.8510	Allowance for Subsidy - Military Debt Reduction Financing Account - Post FY1991
44	1519.0100	Operating Materials and Supplies - Allowance - Excess, Obsolete and Unserviceable
45	1519.0200	Operating Materials and Supplies - Allowance -Held for Repair
46	1519.9000	Operating Materials and Supplies – Allowance
47	1522.0100	Inventory Held in Reserve for Future Sale-War Reserve
48	1523.0100	Inventory Held for Repair -Inventory In-Transit

Count	DoD Reporting Account	DoD Reporting Account Title
49	1525.0100	Inventory - Raw Materials-Inventory In-Transit
50	1526.0100	Inventory - Work-in-Process-Work For Activity Retention
51	1527.0100	Inventory - Finished Goods-Inventory In-Transit
52	1529.0810	Inventory - Allowance-Available and Purchased for Resale
53	1529.0830	Inventory - Allowance-Finished Goods
54	1529.0850	Inventory - Allowance-Held for Reserve for Future Sale
55	1529.0860	Inventory - Allowance-Raw Material
56	1529.0870	Inventory - Allowance-Work in Progress
57	1529.0910	Inventory - Allowance-Material Returns, Estimated Repair and Exchange Cost (Supply Management Only)
58	1529.0920	Inventory - Allowance-Available and Purchased for Resale-Purchased at Cost
59	1551.8100	Foreclosed Property - Military Housing
60	1559.8100	Foreclosed Property - Allowance - Military Housing
61	1613.0600	Amortization of Premium on U.S. Treasury Securities Issued by the Bureau of the Public Debt- Non-Marketable Market Based- Premium
62	1690.0700	Other Investments – Military Housing Privatization Initiative- Limited Partnership
63	1720.0200	Construction –in-Progress-Facilities
64	1720.0500	Construction-in-Progress-Current Year Transfers
65	1750.1000	Equipment-Military Equipment
66	1759.1000	Accumulated Depreciation on Equipment-Military Equipment
67	1810.0200	Assets Under Capital Lease -Machinery and Equipment
68	1990.0100	Other Assets-Contract Financing Payments
69	2110.0300	Accounts Payable-Judgment Fund- Contract Disputes Act
70	2110.0400	Accounts Payable-Judgment Fund- No Fear

Count	DoD Reporting Account	DoD Reporting Account Title
71	2110.0950	Accounts Payable-Unsupported Undistributed Disbursements-Department Level
72	2110.2100	Accounts Payable-Undistributed Disbursements-Appropriation Level
73	2110.2200	Accounts Payable-Undistributed Disbursements-Component Level
74	2110.2300	Accounts Payable-Undistributed Disbursements-Business Area Level
75	2110.2400	Accounts Payable-Undistributed Disbursements-Installation Level
76	2140.0200	Accrued Interest Payable-Not Otherwise Classified-Prompt Payment Act Interest
77	2141.9000	Accrued Interest Payable – Debt
78	2190.0100	Other Liabilities with Related Budgetary Obligations - Accrued Liabilities-Judgment Fund-Contract Disputes Act
79	2190.0400	Other Liabilities with Related Budgetary Obligations - Estimate Subsidy
80	2190.0500	Other Liabilities with Related Budgetary Obligations – Incurred but Not Reported
81	2190.0600	Other Liabilities with Related Budgetary Obligations - Temporary Early Retirement
82	2191.9000	Employee Health Care Liability Incurred but Not Reported
83	2213.9000	Employer Contributions and Payroll Taxes Payable
84	2215.0100	Other Post-Employment Benefits Due and Payable-Unemployment
85	2220.9000	Unfunded Leave
86	2310.0400	Liability for Advances and Prepayments - Progress Billings
87	2410.9000	Liability for Clearing Accounts
88	2511.9000	Capitalized Loan Interest Payable - Non-Credit Reform
89	2610.0200	Actuarial Pension Liability-Pension
90	2620.0200	Actuarial Health Insurance Liability-Medicare

Count	DoD Reporting Account	DoD Reporting Account Title
91	2690.0100	Other Actuarial Liabilities-DoD Education Benefits Fund
92	2690.0200	Other Actuarial Liabilities-Medicare
93	2690.0300	Other Actuarial Liabilities-Voluntary Separation Incentive Trust Fund
94	2985.0100	Liability for Non-Entity Assets Not Reported on the Statement of Custodial Activity - Disbursing Officer Cash
95	2990.0300	Other Liabilities Without Related Budgetary Obligations -Judgment Fund- Contract Disputes Act
96	2990.0400	Other Liabilities Without Related Budgetary Obligations -Judgment Fund- No FEAR
97	2990.0500	Other Liabilities Without Related Budgetary Obligations -Military Equipment
98	2990.0600	Other Liabilities Without Related Budgetary Obligations -Temporary Early Retirement
99	2990.0700	Other Liabilities Without Related Budgetary Obligations - Seized Monetary Instruments
100	2995.9501	Estimated Cleanup Cost Liability- Other Accrued Environmental Liability Active Installations – Other
101	2995.9502	Estimated Cleanup Cost Liability- Base Realignment and Closure - Environmental Corrective Actions/Closure Requirements
102	2995.9503	Estimated Cleanup Cost Liability-estimated Liability for Other Nuclear Powered Ships under the Environmental Disposal for Military Equipment/ Weapons Program
103	2995.9504	Estimated Cleanup Cost Liability- estimated Liability for Other National Defense Weapons Systems under the Environmental Disposal for Military Equipment/ Weapons Program

Count	DoD Reporting Account	DoD Reporting Account Title
104	2995.9505	Estimated Cleanup Cost Liability- estimated Liability for Other Weapons Systems (weapon systems not otherwise identified as National Defense Weapons Systems) for Military Equipment/ Weapons Program
105	2995.9506	Estimated Cleanup Cost Liability- estimated Liability for Nuclear Powered Submarines under the Environmental Disposal for Military Equipment/ Weapons Program for projected cleanup costs
106	2995.9507	Estimated Cleanup Cost Liability- Base Realignment and Closure –Other
107	2995.9508	Estimated Cleanup Cost Liability-Chemical Weapons Disposal Program - Chemical Agent and Munitions Destruction
108	2995.9509	Estimated Cleanup Cost Liability- Accrued Environmental Liabilities on Formerly Used Defense Sites for projected cleanup costs of Installation Restoration Program and Building Demolition and Debris Removal
109	2995.9510	Estimated Cleanup Cost Liability- estimated Liability for Nuclear Powered Aircraft Carriers under the Environmental Disposal for Military Equipment/ Weapons Program for projected cleanup costs
110	2995.9511	Estimated Cleanup Cost Liability- estimated Accrued Environmental Liabilities on Active Installations for projected cleanup costs of Installation Restoration Program and Building Demolition and Debris Removal
111	2995.9512	Estimated Cleanup Cost Liability- estimated Accrued Environmental Liabilities on Active Installations for projected cleanup costs under the Military Munitions Response Program
112	2995.9513	Estimated Cleanup Cost Liability Base Realignment and Closure - Installation Restoration Program

Count	DoD Reporting Account	DoD Reporting Account Title
113	2995.9514	Estimated Cleanup Cost Liability- Base Realignment and Closure – Military Munitions Response Program
114	2995.9515	Estimated Cleanup Cost Liability-mated Accrued Environmental Liabilities on Formerly Used Defense Sites for projected cleanup costs under the Military Munitions Response Program
115	2995.9517	Estimated Cleanup Cost Liability- Other Accrued Environmental Liability Active Installations Non-Base Realignment and Closure - Environmental Closure Requirements
116	2995.9518	Estimated Cleanup Cost Liability- Other Accrued Environmental Liability Active Installations Non Base Realignment and Closure - Environmental Response at Operational Ranges
117	2995.9521	Estimated Cleanup Cost Liability- Other Accrued Environmental Liability Active Installations Non-Base Realignment and Closure – Asbestos
118	2995.9522	Estimated Cleanup Cost Liability- Other Accrued Environmental Liability Active Installations Non-Base Realignment and Closure - Non-Military Equipment
119	2995.9523	Estimated Cleanup Cost Liability-Base Realignment and Closure – Asbestos
120	2995.9524	Estimated Cleanup Cost Liability- Base Realignment and Closure - Non-Military Equipment
121	2995.9525	Estimated Cleanup Cost Liability-EDWSP - Non-Nuclear Powered Equipment
122	2995.9526	Estimated Cleanup Cost Liability-Chemical Weapons Disposal Program - Chemical Agent Munitions Disposal Demilitarization - Assembled Chemical Weapons Alternatives
123	2995.9527	Estimated Cleanup Cost Liability-Chemical Weapons Disposal Program – Other

Count	DoD Reporting Account	DoD Reporting Account Title
124	2995.9528	Estimated Cleanup Cost Liability-estimated Liability for Nuclear Powered Military Equipment (other than Nuclear Powered Ships, Submarines and Aircraft Carriers) and Spent Nuclear Fuel under the Environmental Disposal for Military Equipment/ Weapons Program
125	3105.9000	Unexpended Appropriations - Prior Period Adjustments Due to Corrections of Errors - Years Preceding the Prior Year
126	3400.9000	Fiduciary Net Assets
127	3410.9000	Contributions to Fiduciary Net Assets
128	3420.9000	Withdrawals or Distributions of Fiduciary Net Assets
129	4048.9000	Anticipated Transfers to the General Fund of the Treasury - Prior-Year Balances
130	4119.0600	Other Appropriations Realized - Undistributed Authority-Undistributed Unobligated Balance
131	4170.0600	Transfers - Current-Year Authority Transfers In - Undistributed Authority-Undistributed Unobligated Balance
132	4170.0610	Transfers - Current-Year Authority Transfers Out - Undistributed Authority-Undistributed Unobligated Balance
133	4170.3103	Transfers - Current-Year Authority Transfers Out
134	4176.0600	Allocation Transfers of Prior-Year Balances - Undistributed Authority-Undistributed Unobligated Balance
135	4183.9000	Anticipated Balance Transfers - Unobligated Balances - Legislative Change of Purpose
136	4190.0600	Transfers - Prior-Year Balances Transferred In - Undistributed Authority-Undistributed Unobligated Balance
137	4190.0610	Transfers - Prior-Year Balances Transferred Out - Undistributed Authority-Undistributed Unobligated Balance
138	4190.3103	Transfers - Prior-Year Balances Transfers Out
139	4192.9000	Balance Transfers - Unexpired to Expired

Count	DoD Reporting Account	DoD Reporting Account Title
140	4193.9000	Balance Transfers - Unobligated Balances - Legislative Change of Purpose
141	4201.4350	Total Actual Resources - Cancelled Appropriation
142	4208.9000	Adjustment to Total Resources - Disposition of Canceled Payables
143	4251.0700	Reimbursements and Other Income Earned - Receivable – Undistributed
144	4252.0700	Reimbursements and Other Income Earned - Collected – Undistributed
145	4253.9000	Prior-Year Unfilled Customer Orders With Advance - Refunds Paid
146	4266.0700	Other Actual Business-Type Collections From Non-Federal Sources – Undistributed
147	4295.9000	Revaluation of Foreign Currency in the Exchange Stabilization Fund
148	4320.9000	Adjustments for Changes in Prior-Year Allocations of Budgetary Resources
149	4350.4800	Canceled Authority - Undelivered Orders
150	4350.4900	Canceled Authority - Delivered Orders
151	4351.9000	Partial or Early Cancellation of Authority With a U.S. Treasury Warrant
152	4355.9000	Cancellation of Appropriation From Unavailable Receipts
153	4356.9000	Cancellation of Appropriation From Invested Balances
154	4357.9000	Cancellation of Appropriated Amounts Receivable From Invested Trust or Special Funds
155	4390.9000	Appropriations - Transfers-Out
156	4392.0600	Permanent Reduction - New Budget Authority - Undistributed Authority-Undistributed Unobligated Balance
157	4450.0600	Unapportioned Authority - Undistributed Authority-Undistributed Unobligated Balance
158	4510.0600	Apportionments - Undistributed Authority-Undistributed Unobligated Balance

Count	DoD Reporting Account	DoD Reporting Account Title
159	4610.0600	Allotments - Realized Resources - Undistributed Authority-Undistributed Unobligated Balance
160	4650.0610	Allotments - Expired Authority - Undistributed Disbursements
161	4650.9000	Allotments - Expired Authority
162	4901.0700	Delivered Orders - Obligations, Unpaid – Undistributed
163	4902.0700	Delivered Orders - Obligations, Paid – Undistributed
164	4971.0700	Downward Adjustments of Prior-Year Unpaid Delivered Orders - Obligations, Recoveries – Undistributed
165	5100.0300	Revenue From Goods Sold -Sales at Exchange
166	5100.0400	Revenue From Goods Sold -Capitalized Assets
167	5313.9000	Interest Revenue - Subsidy Amortization
168	5324.9000	Contra Revenue for Penalties and Fines
169	5325.9000	Administrative Fees Revenue
170	5640.9000	Forfeiture Revenue - Cash and Cash Equivalents
171	5649.9000	Contra Forfeiture Revenue - Cash and Cash Equivalents
172	5650.9000	Forfeiture Revenue - Forfeitures of Property
173	5659.9000	Contra Forfeiture Revenue - Forfeitures of Property
174	5705.9000	Expended Appropriations - Prior Period Adjustments Due to Corrections of Errors - Years Preceding the Prior Year
175	5720.1200	Financing Sources Transferred In Without Reimbursement – work-in-progress
176	5730.0700	Financing Sources Transferred Out Without Reimbursement-Liabilities Assumed- Used
177	5730.1200	Financing Sources Transferred Out Without Reimbursement- work-in-progress
178	5730.1300	Financing Sources Transferred Out Without Reimbursement - Capital Investment Program
179	5755.1200	Nonexpenditure Financing Sources - Transfers-In- Appropriated Receipts
180	5756.9000	Nonexpenditure Financing Sources - Transfers-In - Capital Transfers

Count	DoD Reporting Account	DoD Reporting Account Title
181	5765.1200	Nonexpenditure Financing Sources - Transfers-Out - Appropriated Receipts
182	5766.9000	Nonexpenditure Financing Sources - Transfers-Out - Capital Transfers
183	5775.9000	Nonbudgetary Financing Sources Transferred In
184	5776.9000	Nonbudgetary Financing Sources Transferred Out
185	5780.0600	Imputed Financing Sources -Military Retirement Pension
186	5780.0700	Imputed Financing Sources –Military Retirement Health
187	5790.9000	Other Financing Sources
188	5790.9010	Other Financing Sources - No Budgetary Impact
189	5791.9000	Adjustment to Financing Sources - Downward Estimate or Negative Subsidy
190	5792.9000	Financing Sources To Be Transferred Out - Contingent Liability
191	5909.9010	Contra Revenue for Other Revenue - No Budgetary Impact
192	5997.9000	Financing Sources Transferred In From Custodial Statement Collections
193	5998.9000	Custodial Collections Transferred Out to a Treasury Account Symbol Other Than the General Fund of the Treasury
194	6100.0131	Operating Expenses/Program Costs - Judgment Fund-Contract Disputes Act
195	6100.0132	Operating Expenses/Program Costs - Judgment Fund-No FEAR
196	6100.0177	Operating Expenses/Program Costs - Supervision, Inspection, and Overhead Cost Allocation
197	6330.9000	Other Interest Expense
198	6340.9000	Interest Expense Accrued on the Liability for Loan Guarantees
199	6400.0800	Benefits Expense - Personnel Benefits- Federal Employees' Compensation Act

Count	DoD Reporting Account	DoD Reporting Account Title
200	6500.1653	Cost of Goods Sold - Activity Retention
201	6500.9000	Cost of Goods Sold
202	6730.0600	Imputed Costs-Military Retirement Pension
203	6730.0700	Imputed Costs-Military Retirement Health
204	6790.1011	Other Expenses Not Requiring Budgetary Resources-Operating Materials and Supplies Used
205	6800.0300	Future Funded Expenses - Estimate Subsidy
206	6800.1803	Future Funded Expenses-Judgment Fund- Contract Disputes Act -Insurance Claims and Indemnities
207	6800.1804	Future Funded Expenses-Judgment Fund-No FEAR- Insurance Claims and Indemnities
208	6800.3110	Future Funded Expenses - Actuarial Normal Cost Liability
209	6800.3120	Future Funded Expenses - Actuarial Interest Cost
210	6800.3130	Future Funded Expenses - Actuarial Gain/Loss from Experience
211	6800.3140	Future Funded Expenses - Actuarial Gain/Loss from Trend Assumption Changes
212	6800.3150	Future Funded Expenses - Actuarial Gain/Loss from Other Assumption Changes
213	6800.3160	Future Funded Expenses - Actuarial Plan Amendment Liability
214	6800.3170	Future Funded Expenses - Actuarial Other
215	6800.3180	Future Funded Expenses - Actuarial Benefit Outlay
216	6800.9000	Future Funded Expenses
217	6850.0300	Employer Contributions to Employee Benefit Programs Not Requiring Current-Year Budget Authority (Unobligated)-Unemployment-Military Personnel Benefits
218	6900.1906	Nonproduction Costs-Undistributed
219	6900.1909	Nonproduction Costs-Contract Holdbacks
220	7110.9010	Gains on Disposition of Assets - Other - No Budgetary Impact
221	7171.9000	Gains on Changes in Long-Term Assumptions - From Experience

Count	DoD Reporting Account	DoD Reporting Account Title
222	7172.9000	Losses on Changes in Long-Term Assumptions - From Experience
223	7180.9010	Unrealized Gains - No Budgetary Impact
224	7190.9010	Other Gains - No Budgetary Impact- Moving Average Cost
225	7210.0010	Losses on Disposition of Assets - Other – Latest Acquisition Cost - No Budgetary Impact
226	7210.9010	Losses on Disposition of Assets - Other - No Budgetary Impact
227	7271.9000	Gains on Changes in Long-Term Assumptions
228	7272.9000	Losses on Changes in Long-Term Assumptions
229	7290.0210	Other Losses-Other Inventory Losses - No Budgetary Impact
230	7290.0300	Other Losses-Shrinkage/Deterioration Losses
231	7290.0310	Other Losses-Shrinkage/Deterioration Losses - No Budgetary Impact
232	7290.0400	Other Losses- Work-in-Progress –Excess
233	7290.0410	Other Losses- Work-in-Progress Excess - No Budgetary Impact
234	7290.0500	Other Losses-Excess/Obsolescence/Spoilage Losses
235	7290.0510	Other Losses-Excess/Obsolescence/Spoilage Losses - No Budgetary Impact
236	7290.0600	Other Losses- Work-in-Process – Shrinkage
237	7290.0610	Other Losses-Work-in-Process Shrinkage - No Budgetary Impact
238	7290.9010	Other Losses - No Budgetary Impact
239	7405.9000	Prior Period Adjustments Due to Corrections of Errors - Years Preceding the Prior Year
240	8101.9000	Partial Authority Cancellation
241	8102.9000	Offset for Partial Authority Cancellation

Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD Comments



OFFICE OF THE UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

COMPTROLLER

FEB 4 2013

MEMORANDUM FOR PROGRAM DIRECTOR, FINANCIAL MANAGEMENT AND REPORTING, DEPARTMENT OF DEFENSE OFFICE OF INSPECTOR GENERAL

SUBJECT: Draft Audit Report, "Enterprise Business System Was Not Configured to Implement the U.S. Government Standard Ledger at the Transaction Level," Project No. D2012-D000FI-0058.000

This memo is in response to the subject January 3, 2013, report provided to this office for review and comment. We concur with four recommendations and partially concur with one other. Our comments to the draft report recommendations are attached.

As stated in earlier comments to the discussion draft, we continue to believe that you should remove Table 3, "SFIS Business Rules Assessments Results," from the report because its figures are misleading. The three assessments, including one self-assessment by the Defense Logistics Agency, are not comparable because they were conducted at different times and measured different things.

We appreciate the opportunity to respond to your audit report and look forward to resolving the cited issues. My point of contact is [REDACTED] and you may reach her at [REDACTED]

Mark E. Easton
Deputy Chief Financial Officer

Attachment:
As stated

cc:
Office of the Deputy General Council (Fiscal)



**OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER) (OUSD(C))
RESPONSE TO DEPARTMENT OF DEFENSE OFFICE OF INSPECTOR GENERAL
DRAFT REPORT,**

**"ENTERPRISE BUSINESS SYSTEM WAS NOT CONFIGURED TO IMPLEMENT THE
U.S. GOVERNMENT STANDARD GENERAL LEDGER AT THE TRANSACTION
LEVEL," PROJECT NO. D2012-D000FI-0058.000**

RECOMMENDATION 1: We recommend that the Deputy Chief Management Officer and Deputy Chief Financial Officer improve accountability for Standard Financial Information Structure implementation. They should direct their offices to:

RECOMMENDATION 1.a.: "Perform an immediate assessment of the Standard Financial Information Structure business rules and provide core system program managers with a definitive listing of business rules that systems will require by FY 2014 to support financial reporting to the Governmentwide Treasury Account Symbol Adjusted Trial Balance System."

OUSD(C) RESPONSE: **Concur.** In concert with the Office of the Deputy Chief Management Officer (DCMO), the Office of the Deputy Chief Financial Officer (ODCFO) will provide a definitive list of business rules necessary to support financial reporting to the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS). Conceptually, these will be the "financial reporting" business rules associated with Department of the Treasury-required GTAS data elements.

RECOMMENDATION 1.b.: "Restrict Enterprise Business System funding until program managers demonstrate that the system contains the Standard Financial Information Structure business rules, DoD Standard Chart of Accounts reporting accounts, and Standard Financial Information Structure Transaction Library posting logic needed to report its financial data properly."

OUSD(C) RESPONSE: **Partially Concur.** The Department of Defense (DoD) has procedures and processes in place, under its Defense Business Council, to ensure funding is limited or not certified for investment proposals that have not demonstrated compliance to requirements. However, because the Enterprise Business System is not only the general ledger for the Defense Logistics Agency (DLA), but also the supply chain solution, funding may only be restricted to the extent it does not adversely impact the DLA mission.

Attachment

RECOMMENDATION I.c.: “Conduct a one-time validation of each DoD Enterprise Resource Planning system after Pre-Certification Authorities certify compliance with the Standard Financial Information Structure requirements.”

OUSD(C) RESPONSE: Concur. In concert with the ODCMO, the ODCFO had completed a one-time validation of 90 percent of the target Enterprise Resource Planning (ERP) general ledger accounting systems. The ODCMO and ODCFO have a plan in place to complete the one-time validation of remaining ERP systems.

RECOMMENDATION I.d.: “Establish procedures to validate that the Pre-Certification Authorities certified accurately that Enterprise Resource Planning system program managers implemented all subsequent updates to the DoD Standard Chart of Accounts and Standard Financial Information Structure Transaction Library.”

OUSD(C) RESPONSE: Concur. In concert with the ODCMO, the ODCFO will establish procedures to validate that pre-certification authorities certify the DoD Standard Chart of Accounts and all applicable updates. We will also initiate a working group to determine the best way forward for validating the posting logic within the DoD United States Standard General Ledger Transaction Library.

RECOMMENDATION I.e.: “Validate that all Enterprise Resource Planning system program managers implemented Standard Financial Information Structure requirements for all subsequent updates through use of a stringent validation and certification program.”

DCFO RESPONSE: Concur. In concert with the ODCMO, the ODCFO will establish procedures to validate that ERPs have implemented the Standard Financial Information Structure updates. We will establish a requirement for the component to certify through the Defense Business Council process.

Deputy Chief Management Officer Comments



DEPUTY CHIEF MANAGEMENT OFFICER
9010 DEFENSE PENTAGON
WASHINGTON, DC 20301-9010

JAN 31 2013

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR FINANCIAL
MANAGEMENT AND REPORTING (DEPARTMENT OF
DEFENSE OFFICE OF INSPECTOR GENERAL)

SUBJECT: Comments to Draft Report, "Enterprise Business System (EBS) Was Not Configured to Implement the U.S. Government Standard General Ledger at the Transaction Level" (Project No. D2012-D000FI-0058.000)

This memorandum responds to your request for comments on five audit recommendations contained in the draft audit report issued January 3, 2013. I concur with recommendations 1.a, 1.c, 1.d and 1.e. I partially concur with recommendation 1.b. My detailed responses to the recommendations are provided in the attachment.

While I agree with the findings discussed in the report, I take exception to some of the conclusions and misrepresentations of facts presented. Specifically, the Standard Financial Information Structure (SFIS) validation performed on EBS during the pilot process was in no way associated to the Financial Management Investment Review Board's funds certification process or Business Enterprise Architecture (BEA) compliance. The EBS Program Management Office volunteered to help with the definition and testing of a new SFIS validation process which would potentially replace the current Component-level self-assessment only process. Therefore, the pilot validation statistics are neither comparable to the Defense Logistics Agency self-assessment nor the subsequent Office of the Deputy Chief Financial Officer / Office of the Deputy Chief Management Officer SFIS validation that was performed at the request of the DoD's Office of the Inspector General.

I appreciate the opportunity to review and comment on the draft report. If you have any questions, [REDACTED] is my point of contact for this response. [REDACTED] may be reached by telephone at [REDACTED]

A handwritten signature in black ink, appearing to read "Elizabeth A. McGrath".

Elizabeth A. McGrath

Attachment:
As stated



**DEPARTMENT OF DEFENSE OFFICE OF THE INSPECTOR GENERAL (DoD IG)
DRAFT REPORT DATED JANUARY 3, 2013, PROJECT NO. D2012-D000FI-0058.000
“ENTERPRISE BUSINESS SYSTEM WAS NOT CONFIGURED TO IMPLEMENT THE
U.S. GOVERNMENT STANDARD GENERAL LEDGER AT THE TRANSACTION
LEVEL”**

**OFFICE OF THE DEPUTY CHIEF MANAGEMENT OFFICER (DCMO)
COMMENTS TO DoD IG RECOMMENDATIONS**

RECOMMENDATION I.a: Perform an immediate assessment of the Standard Financial Information Structure business rules and provide core system program managers with a definitive listing of business rules that systems will require by FY 2014 to support financial reporting to the Government-wide Treasury Account Symbol Adjusted Trial Balance System.

DCMO RESPONSE: **Concur.** An assessment was performed on current Standard Financial Information Structure (SFIS) business rules and a definitive list will be distributed to the program managers. The Office of the Deputy Chief Financial Officer and Office of the Deputy Chief Management Officer will provide a definitive list of business rules necessary to support financial reporting to the Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS). Conceptually, these will be the "financial reporting" business rules associated to the Treasury required GTAS data elements.

RECOMMENDATION I.b: Restrict Enterprise Business System funding until program managers demonstrate that the system contains the Standard Financial Information Structure business rules, DoD Standard Chart of Accounts reporting accounts, and Standard Financial Information Structure Transaction Library posting logic needed to report its financial data properly.

DCMO RESPONSE: **Partially Concur.** The Department has procedures and processes in place under the Defense Business Council to ensure funding is limited or not certified for investment proposals that have not demonstrated compliance to requirements. However, since the Enterprise Business System is not only the general ledger for the Defense Logistics Agency (DLA) but also the supply chain solution, funding can be restricted to the extent it does not adversely impact the DLA mission.

RECOMMENDATION I.c: Conduct a one-time validation of each DoD Enterprise Resource Planning system after Pre-Certification Authorities certify compliance with the Standard Financial Information Structure requirements.

DCMO RESPONSE: **Concur.** We have completed a one-time validation of 90 percent of the target Enterprise Resource Planning (ERP) general ledger accounting systems and have a plan in place to complete the one-time validation of the remaining ERP systems. The timing of the Pre-Certification Authority letters certifying compliance with SFIS are received just prior to the beginning of the fiscal year as part of the funds certification process for Component portfolios. This does not allow enough time to conduct validations in time to influence the Defense

Business Council funding decisions. The validation process necessarily has to be an ongoing effort throughout the fiscal year.

RECOMMENDATION 1.d: Establish procedures to validate that the Pre-Certification Authorities certified accurately that Enterprise Resource Planning system program managers implemented all subsequent updates to the DoD Standard Chart of Accounts and Standard Financial Information Structure Transaction Library.

DCMO RESPONSE: **Concur.** We will establish procedures to validate that Pre-Certification Authorities certify the DoD Standard Chart of Accounts and all applicable updates. We will also initiate a working group to determine the best way forward for validating the posting logic within the DoD United States Standard General Ledger (USSGL) Transaction Library.

RECOMMENDATION 1.e: Validate that all Enterprise Resource Planning system program managers implemented Standard Financial Information Structure requirements for all subsequent updates through use of a stringent validation and certification program.

DCMO RESPONSE: **Concur.** We will establish procedures to validate that ERPs have implemented the SFIS updates. We will also establish a requirement for the component to certify through the Defense Business Council process.

Defense Logistics Agency Comments



**DEFENSE LOGISTICS AGENCY
HEADQUARTERS
8725 JOHN J. KINGMAN ROAD
FORT BELVOIR, VIRGINIA 22060-6221**

FEB 01 2013

MEMORANDUM FOR DLA OIG

SUBJECT: DLA Finance, J8 response to DoD Inspector General Draft Findings in the D2012-D000FI-0058.000 Audit

DLA Finance, J8, has reviewed the draft DoD IG Audit, 0058, findings and provides the following comments. The first column contains the DoD IG recommendation, while the second and third columns represent the DLA Finance response and status respectively. The DoD IG states other findings in the report which are directed to the Deputy Chief Management Officer (DCMO) managers.

DoD IG Recommendation	DLA Response	Current Status
2.a) The DLA Director should validate and certify annually to Investment Review Board that the Enterprise Business System (EBS) Program Management Office had properly documented the system's capability to report the current DoD Standard Chart of Accounts (SCoA) and accomplish the transactional posting as detailed in the Standard Financial Information Structure Transaction Library.	Concur	Appropriate documentation for verifying DoD SCoA criteria will be developed to submit to DoD annually for Investment Review Board certification. ECD: 9/30/13
2.b) The DLA Director should reengineer manual business processes to incorporate the recording of transactional data within the EBS using Standard Financial Information Structure (SFIS) posting logic and the DoD SCoA.	Concur	Manual departmental level postings will be minimized under the Audit Readiness umbrella by implementing auditable processes. ECD: 9/30/13
2.c) The DLA Director should develop a plan of action and milestones within 90 days of the date of this report. The plan of action and milestones should detail the design and fund system change requirements necessary to implement the SFIS business rules.	Concur	The DLA Audit Readiness Posting Logic Team is preparing a Corrective Action Plan (CAP) to include EBS System Change Requests (SCR). ECD: 4/30/13

2.c(1) The DLA Director should design and fund system change requirements necessary to implement the SFIS business rules and Transaction Library needed to support the most recent version of the Business Enterprise Architecture before adding any other capabilities.	Concur	<p>This requirement falls under the Audit Readiness umbrella and has been identified as a deficiency requiring system changes. SCR will be submitted when specific changes are identified.</p> <p>ECD: 3/31/13</p>
2.c(2) The DLA Director should implement an EBS alternate chart of accounts that has the capability to report the DoD SCoA for general fund and working capital fund activities at the transactional level.	Concur	<p>This requirement falls under the Audit Readiness umbrella and has been identified as a deficiency requiring system changes. SAP has recently released new functionality for Government-wide Treasury Account Symbol compliance that will also improve the SFIS compliance plan.</p> <p>ECD: 9/30/13</p>
2.c(3) The DLA Director should determine the appropriate DoD SCoA reporting account for each EBS posting account and establish an internal crosswalk to report transactional data to an alternate chart of accounts containing the current DoD SCoA	Partially Concur	<p>DLA concurs on the audit finding but finds it premature to decide on the approach. DLA is currently working on the most efficient and comprehensive approach to enhance EBS to comply with the United States Standard General Ledger and SFIS structures.</p> <p>ECD: 9/30/13</p>
2.c(4) The DLA Director should develop trial balances by DLA appropriation (general fund) or business activity (working capital fund) that comply with the SFIS Transaction Library and can report directly into the Defense Departmental Reporting System.	Concur	<p>DFAS manual workarounds will be replaced by actions taken in 2.c(1), 2.c(2) and 2.c(3).</p> <p>ECD: 9/30/13</p>

2.d) The DLA Director should develop procedures to verify that the EBS Program Management Office updates the EBS posting and reporting charts of accounts after each update to the DoD Standard Chart of Accounts.	Concur	This requirement falls under the Audit Readiness scope which has already established a Posting Logic Team to monitor SFIS and SCoA changes. As a result the team will initiate system changes and ensure compliance. ECD: Complete
2.e) The DLA Director should certify EBS compliance to the Investment Review Board after each subsequent update to the DoD Standard Chart of Accounts and SFIS Transaction Library and business rules.	Partially Concur	Pending DoD response to findings 1.d and 1.e, DLA will follow process developed to provide appropriate documentation for verifying DoD SCoA and SFIS criteria and submit to DoD after updates. ECD: 9/30/13
2.f) The DLA Director should identify the normal balance of each EBS posting account by assigning a value in the inflation key data field of each posting account. If SAP functionality does not provide sufficient space for account definitions, EBS program managers should document account definitions external to the system.	Partially Concur	DLA will identify normal balances for accounts. Account definition requirements will be identified as an Audit Readiness CAP to develop a normal balance indicator. The indicator may or may not incorporate the inflation key data field based on the results of the CAP. ECD: 9/30/13

Point of contact for this action is [REDACTED]



Simone A. Reba
DLA Finance
Deputy Director



Inspector General Department *of* Defense